

## Cabinet

Tuesday, 24 November 2020 at 2.00 pm

This meeting will be held virtually and live streamed.

Information on how to join the meeting will be circulated to all participants.

Please use this link to view the live stream:

<https://www.youtube.com/watch?v=ijv8hTrOUeU&feature=youtu.be>

Committee papers are available at: [www.northoftyne-ca.gov.uk](http://www.northoftyne-ca.gov.uk)

---

## AGENDA

---

Page No

1. **Welcome and Introductions**
2. **Apologies for Absence**
3. **Announcements from the Mayor and/or the Head of Paid Service**
4. **Declarations of Interest**

Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be submitted to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

**Note:** The Audit and Standards Committee has granted dispensations to Cabinet members so that they may participate in decisions which relate to the constituent authority which appointed them.

5. **Minutes of the Previous Meeting**

1 - 10

6.	<b>Impact of Coronavirus (COVID-19) - Presentation</b>	
7.	<b>Brexit Update, November 2020</b>	<b>11 - 16</b>
8.	<b>Introduction of the Chair of the Inclusive Economy Board - the Right Reverend Christine Hardman, Bishop of Newcastle</b>	
9.	<b>Poverty Truth Commission</b>	<b>17 - 22</b>
10.	<b>Investment Fund Update and Funding Approvals</b>	<b>23 - 30</b>
11.	<b>2019-20 NTCA Annual Statement of Accounts</b>	
	(a) <b>Audit Completion Report, year ending 31 March 2020</b>	<b>31 - 54</b>
	(b) <b>2019/20 Annual Governance Statement</b>	<b>55 - 68</b>
	(c) <b>NTCA Audited Statement of Accounts for the year ended 31 March 2020</b>	<b>69 - 202</b>
12.	<b>NTCA Second Quarter Budget Monitoring Report</b>	<b>203 - 216</b>
13.	<b>2021-2025 NTCA Budget Proposals</b>	<b>217 - 226</b>
14.	<b>Appointments</b>	<b>227 - 228</b>
15.	<b>Date and Time of Next Meeting</b>	

Tuesday, 26 January 2020 at 2pm, remote meeting.

Contact Officer: Victoria Miller  
 Tel: 0191 211 5118  
 Email: Victoria.Miller@northoftyne-ca.gov.uk



## North of Tyne Combined Authority, Cabinet

29 September 2020

(2.01 - 3.22 pm)

The meeting was held virtually and live streamed.

### Draft Minutes for approval

#### Present:

Chair: Mayor J Driscoll

Councillors R Dodd, N Forbes (part of meeting), J McCarty, B Pickard, G Sanderson, Mayor N Redfearn and Ms L Winskell

Observer: Mr R Fry, Mayoral Ambassador for Voluntary, Community and Social Enterprise Sector

#### 92 APOLOGIES FOR ABSENCE

There were no apologies for absence received.

#### 93 DECLARATIONS OF INTEREST

There were no declarations of interest.

#### 94 MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 28 July 2020 were approved as a correct record and signed by the Mayor.

#### 95 MAYOR'S ANNOUNCEMENT - DEVOLUTION, NEXT STEPS

The Mayor, on behalf of Cabinet, welcomed to the meeting Ms Lucy Winskell, the newly appointed Chair of the North East Local Enterprise Partnership. The Mayor commented on the close relationship between businesses in the area and the Combined Authority, which was essential for maintaining and creating a strong economy, including inclusive and green economy.

The Mayor, on behalf of Cabinet, congratulated Councillors G Sanderson and R Dodd from Northumberland County Council on their appointment as Cabinet Members and welcomed them to the meeting.

### **Building Post-Coronavirus Recovery**

The Mayor introduced the subject and explained that, in response to the launch of the 2020 Comprehensive Spending Review, the Combined Authority had prepared an ambitious submission to Government.

H Kippin, the Director of Economic Growth, delivered a presentation on the Combined Authority's approach to building an effective post-Coronavirus recovery.

The North of Tyne Combined Authority was one of nine combined authorities submitting their proposals to Government.

The proposals were strongly aligned with efforts of the wider North East region. These wider North East proposals were developed in partnership with stakeholders and partners such as the Local Enterprise Partnership (LEP), universities, the North East Combined Authority and the voluntary sector.

The North of Tyne recovery deal brought forward £1.1bn of proposed investment, with proposals structured around five key areas:

- Jobs, skills and livelihoods
- Accelerating transition to future economy
- Supporting our business, high streets and places
- Fiscal innovation, health and prevention
- Transport, infrastructure and connectivity

Following the presentation, a short animation video was shown about the current position and planning for the future. This included the impact of Coronavirus, the scope of actions that had already been taken by the Combined Authority to support the region and preparation of asks for more funding for the government for proposals that would enable the Combined Authority to redesign and support the economy and create jobs.

The Mayor explained that the £1.1bn ask from the government would help to create 35,000 jobs, 14,000 training places, ensure future economy, good secure jobs, good housing and reliable transport.

### **In discussion:**

Members welcomed the joint proposals, the comprehensive and inclusive opportunities within them, which were based on the local need, including rural, urban and coastal, and which were supported by a clear vision.

Members welcomed the vision, ambition and strong leadership that the Combined Authority was demonstrating in tackling current challenges, supporting business and communities and planning for the future.

Members welcomed the proposals to support and create new industries, grow the economy, create and protect jobs, deliver training and develop skills, deliver housing, improve health and wellbeing, whilst recognising the unique strengths and challenges of the area and working to attract investment for the region. Members also welcomed cooperation with partners and stakeholders, which had resulted in joint-up proposals.

The Mayor commented on the scope of this work to bring the proposals and drew attention to a previous letter from the government that had invited him to lead on pulling together a regional economic response. The Combined Authority had been working with partners, including in other local authorities, public organisations and businesses, representing a united approach.

Members thanked H Kippin for coordinating this work, including across the region.

## 96 **CONSTITUTION REVIEW - OFFICER DELEGATIONS**

Submitted: A report of the Monitoring Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which sought approval of a revised scheme of officer delegations to allow more powers to make a wider range of decisions. The report was introduced by J Softly, the Monitoring Officer.

**RESOLVED** – That the Cabinet:

- i. Approved the revised scheme at Appendix A of the report; and
- ii. Authorised the Interim Monitoring Officer to incorporate the revised scheme in the Constitution and make any consequential changes to other parts of the Constitution to ensure consistency.

## 97 **CONSTITUTION REVIEW - APPOINTMENTS**

Submitted: A report of the Monitoring Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which sought approval for the proposed changes in membership and also set out information on the recent changes in membership regarding Cabinet and the Overview and Scrutiny Committee. The report was introduced by J Softly, the Monitoring Officer.

**RESOLVED** – That the Cabinet noted and agreed the appointments as set out in the report.

## 98 **INVESTMENT FUND UPDATE AND FUNDING APPROVALS**

Submitted: A report of the Director of Economic Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on progress that had been made on the Investment Fund and brought forward the latest investment proposals within the agreed Investment Plan. The report was introduced by Councillor B Pickard, the Portfolio Holder.

The Mayor and the Deputy Mayor, on behalf of Cabinet, welcomed the progress achieved, emphasising specific sectors of the economy.

Comments were made about the importance of, and opportunities within, the green economy, pointing out that a lot of work was already taking place, including many projects progressing and jobs created.

Thanks were offered to officers and partners in the constituent Local Authorities for their work.

In light of the increased use of different digital techniques by various organisations during the pandemic, the voluntary and social enterprise sector were excited to see the NTCA work on digital innovation and keen to work jointly to see how this work could enhance the work of the voluntary and social enterprise sector.

**RESOLVED** – That the Cabinet:

- i. Noted progress to date on the Investment Fund, achievement of key milestones and ongoing development work, particularly in respect of defrayed expenditure and project development in relation to our priority sectors;
- ii. Noted progress in relation to the NTCA's Digital Growth and Innovation Programme;
- iii. Approved funding of £1,630,633 to fund the project 'National Innovation Centre for Data - Bespoke Delivery for NTCA' detailed in section 2.6 of this report, subject to the funding conditions set out in section 2.6.7 of this report;
- iv. Endorsed the approach recommended by Investment Panel in relation to the launch of a digital ecosystem support open call for projects, as set out in section 2.7 of the report - with an overall budget of £5m available from within the Digital Sector Allocation agreed by Cabinet in January 2020;
- v. Noted progress in relation to the NTCA Employability and Skills Programme (phase 1), detailed in section 2.8 of the report; and authorised the Interim Head of Paid Service, in consultation with the Portfolio Holder for Employability and Inclusion, to finalise the relevant general and project specific funding conditions associated with in-principle funding offers made following Investment Panel recommendations in November and December 2019, and to approve the final funding awards to successful applicants;
- vi. Noted progress made in developing next steps and a proposed approach for allocating the Skills for Growth funding agreed by Cabinet, as a part of wider work to support the growth of key sectors, as set out in section 2.9 of the report. And authorised the Interim Head of Paid Service, in consultation with

Investment Panel, to agree the priorities for the NTCA Skills for Growth programme and to launch an open call for proposals in due course;

- vii. Noted progress in relation to operationalising the Green New Deal Fund set out in section 2.10, consistent with the recommendations previously agreed by Cabinet, including the launch of an open call to identify an intermediary body to manage the Fund; and
- viii. Authorised the Interim Head of Paid Service to finalise the conditions to be attached to the above funding awards and authorised the Interim Monitoring Officer to complete the necessary documentation.

## 99 **BROWNFIELD HOUSING FUND**

Submitted: A report of the Director of Economic Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on the North of Tyne Brownfield Housing Fund (BHF) programme, including the basis of the Fund and a proposed delivery that had been developed in partnership between the Combined Authority, the Ministry of Housing, Communities and Local Government (HMCLG) and constituent councils. The report was introduced by Mayor N Redfern, the Deputy Mayor and Portfolio Holder.

Mayor Redfern noted the collaborative way in which proposals for delivery were being developed, and that NTCA's cross-sector Housing and Land Board would be closely involved in shaping progress.

The Mayor, on behalf of Cabinet, welcomed this additional funding for the area, which had been secured by the creation of this Combined Authority.

### **RESOLVED** – That Cabinet:

- i. noted the progress made in operationalising the devolved Housing Brownfield Fund;
- ii. authorised the Interim Head of Paid Service - in consultation with Investment Panel, the Housing and Land Board and the Mayor to consider and agree the North of Tyne Brownfield Housing Programme;
- iii. authorised the Interim Head of Paid Service - in consultation with the Investment Panel, the Mayor and the Portfolio Holder to consider and approve relevant business case applications for the North of Tyne Brownfield Housing Programme; and
- iv. authorised the Interim Head of Paid Service to finalise the conditions for funding awards and authorise the Interim Monitoring Officer to complete the necessary documentation relating to the awards.

100 **INCLUSIVE ECONOMY INNOVATION FUND**

Submitted: A report of the Director of Economic Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on progress with the development of an Inclusive Economy Innovation Fund for the North of Tyne and sought approval for the next steps. The report was introduced by Councillor J McCarty, the Portfolio Holder.

The Mayor, on behalf of Cabinet, welcomed the report and spoke about the principle of citizens' engagement or working with people as an important principle that underpinned all work of the Combined Authority.

**RESOLVED** – That the Cabinet:

- i. Noted the progress in relation to the development of an Inclusive Economy Innovation Fund for the North of Tyne;
- ii. Authorised the Head of Paid Service, in consultation with the Cabinet Portfolio Holder, to finalise next steps in taking forward the Fund, including approving a supporting Prospectus; and
- iii. Welcomed the consideration by NTCA Investment Panel of a future report setting out the delivery plan and operational processes for the Inclusive Economy Innovation Fund once finalised, following a period of consultation with potential co-investors.

101 **SUPPORTING YOUNG PEOPLE INTO EMPLOYMENT - KICKSTART AND YOUTH HUBS**

Submitted: A report of the Head of Inclusive Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which sought support for the proposed approach to the delivery of the Kickstart Scheme and the development of Youth Hubs to support young people to access good job opportunities, build their skills and work experience.

The report was introduced by Councillor J McCarty, the Portfolio Holder.

Members welcomed this important work to supplement support for young people. Comments were made about challenging times ahead as a result of pandemic.

The Voluntary and Social Enterprise Sector welcomed the proposals, including the NTCA becoming intermediary to enable smaller organisations to host young people; and, if there was an opportunity to join the Kickstart with Youth Hubs with the Department for Work and Pension (DWP) framework, that would bring a real opportunity for a meaningful offer for young people as well as bring together a whole range of partners, some of whom might have not worked together before.



**RESOLVED** – That the Cabinet:

- i. Supported the proposed approach to the Kickstart Scheme;
- ii. Supported the development of Youth Hubs in collaboration with NTCAs constituent local authorities, Jobcentre Plus and wider partners;
- iii. Allocated up to £500,000 from the Inclusive Economy Innovation Fund budget, subject to full business case, to support the NTCAs role as a Representative/Intermediary body for the Kickstart scheme;
- iv. Allocated up to £400,000 from the Inclusive Economy Innovation Fund budget, subject to full business case, to co-invest alongside DWP in a Youth Hub approach as detailed in the report;
- v. Authorised the Head of Paid Service, in consultation with Investment Panel and the Portfolio Holder for Employability and Inclusion to consider business cases for funding in relation to Kickstart and Youth Hubs referenced above and to finalise any funding awards.

102 **ADULT EDUCATION BUDGET DEVOLUTION**

Submitted: A report of the Head of Inclusive Growth (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which outlined the performance management arrangements related to the devolved Adult Education Budget (AEB) and sought approval for a recommended approach to allocating AEB funding, in year, to both Contractors for Services and Grant Providers. The report was introduced by Councillor J McCarty, the Portfolio Holder.

It was noted that investment had been made in digital support for learning; and this might need to be revisited, if pandemic continued to impact on adult education provision.

Regarding the monitoring of performance, it was noted that the NTCA team was in regular communication with providers. And as the programme, which was less than two months into its delivery, progressed, it would be feasible that a report on the performance of the first quarter could be provided to a future meeting.

**RESOLVED** – That the Cabinet:

- i. Noted the performance management arrangements in place to monitor the devolved AEB; and
- ii. Authorised the Head of Paid Service, in consultation with the Cabinet Member for Employability and Inclusion, to approve funding allocations to both Contract for Services and Grant Providers.

103 **BUSINESS COMPETITIVENESS PORTFOLIO UPDATE**

Submitted: A report of the Portfolio Holder for Business Competitiveness (previously circulated and copy attached to Official Minutes).

The Cabinet received an update on progress across the Business Competitiveness Portfolio, which prioritised cross-sector innovation, entrepreneurship and investment in activities to support a more inclusive economy in the North of Tyne. The report was introduced by Councillor N Forbes, the Portfolio Holder.

The Mayor, on behalf of Cabinet, welcomed the report and the progress achieved; and drew attention to examples of success in this area of work as well as the importance of developing the future of the area's economy.

**RESOLVED** - That Cabinet:

- i. Welcomed progress in relation to delivering the Combined Authority's priorities for the digital, green growth and ageing and longevity sectors; and
- ii. Noted next steps in relation to the ongoing activity to deliver the Cabinet's priorities in these areas.

104 **2021-2025 FINANCIAL PLANNING AND BUDGET PROCESS**

Submitted: A report of the Chief Finance Officer (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which outlined the process to be adopted for the Authority's Financial Planning and Budget process for 2021/22 as part of the proposed framework for the four years 2021/22 to 2024/25. The report was introduced by J Gillespie, the Chief Finance Officer.

**RESOLVED** – That the Cabinet approved the proposed outline 2021-2025 Financial Planning and Budget process, which incorporated the key decision milestones and dates as set out at Appendix A to the report.

105 **NORTH EAST LOCAL ENTERPRISE PARTNERSHIP - FUNDING DECISIONS UPDATE**

Submitted: A report of the North East Local Enterprise Partnership (LEP) Chief Executive (previously circulated and copy attached to Official Minutes).

The Cabinet considered the report which provided an update on the work and decisions of the LEP with a focus on project funding decisions that related to the programmes that were managed by the LEP for which NTCA was the accountable body since 1 April 2020. The report was introduced by J Gillespie, the Chief Finance Officer.

The report also provided summary information about the Local Growth Fund (LGF), Enterprise Zones (EZ) and the North East Investment Fund (NEIF) programmes,

including decisions related to a COVID-19 rapid response fund that had been established using uncommitted LEP resources.

The report also provided information about the appointment of the new Chair of the North East LEP Board.

The Mayor welcomed Ms Lucy Winskell to Cabinet.

**RESOLVED** – That the Cabinet:

- i. Noted the report which provides information on the work and decisions of the North East LEP; and
- ii. Appointed Ms Lucy Winskell, the new North East LEP Chair, as a non-voting member of Cabinet in line with Part 2.1. of the NTCA Constitution.

106 **DATE AND TIME OF NEXT MEETING**

24 November 2020 at 2pm (remote meeting).

The Mayor thanked Members and Officers for their work.

107 **EXCLUSION OF PRESS AND PUBLIC**

There was no exclusion of press and public.

108 **BACKGROUND DOCUMENTS: NORTH EAST LOCAL ENTERPRISE PARTNERSHIP - FUNDING DECISIONS UPDATE - APPENDICES**

Submitted: Background documents (previously circulated and copy attached to Official Minutes).

This document had been circulated to Members as part of the agenda pack for the meeting.

This page is intentionally left blank



**Subject: Brexit Update, November 2020**  
**Report of: Director of Economic Growth**  
**Portfolio: Business Competitiveness**

## Report Summary

The purpose of this report is to provide an update on Brexit issues facing the NTCA area. Cabinet previously discussed the impact of Brexit on 5<sup>th</sup> February 2019 and 22<sup>nd</sup> October 2019, agreeing actions including regular engagement with the business community, expansion of the NTCA Inward Investment fund and development of a regional Freeport proposal:

- Over the past year, issues identified by businesses have included the importance of retaining access to skilled EU migrants and the risk that regulatory changes may make it more difficult for the automotive and pharmaceuticals sectors to export to the EU. Despite the end of the Transition Period on 31<sup>st</sup> December, we are aware that many businesses have yet to fully prepare for changes which will be required. This has reflected the immediate pressures they are under from COVID-19 and the lack of clarity about the long-term future trading arrangements with the EU.
- The NTCA Inward Investment fund has been increased to £10m, helping reduce initial set-up costs for firms making a first investment in the area. Encouraging the relocation of businesses and public sector jobs to the area – or Northshoring – is also an important element of the NTCA's COVID-19 Recovery and Renewal Deal proposals.
- A multi-site NE Freeport proposal has been developed, in anticipation of a Government competition later this year.

Looking forward, Cabinet is asked to note the economic risks to the area associated with the implementation of the new relationship between the UK and the EU from the 1<sup>st</sup> January 2021. Cabinet is asked to support continued close working with businesses, further development of the NE Freeport proposal and to use the NTCA's website to signpost businesses to Brexit-preparedness information and support, replicating the approach taken with COVID-19.

## Recommendations

The Cabinet is recommended to approve the following steps:

- i. Approve continued close working with businesses, to understand and monitor any potential negative impacts of Brexit alongside any opportunities. It is recommended that Cabinet Members lead discussions with business representative groups to discuss the evolving situation.
- ii. Continue to highlight relevant issues with Government and make the case for a significant COVID-19/Brexit economic stimulus package, comprising both one-off resources and longer-term replacement for EU funding;
- iii. Approve further development of the NE Freeport proposal;
- iv. Use the NTCA's website to signpost businesses to Brexit-preparedness information and support, replicating the approach taken with COVID-19;
- v. Agree to receive further Brexit update reports.

## 1. Background Information, Progress and Proposals

### *Background*

- 1.1 The UK left the EU on 31<sup>st</sup> January 2020, with the current ‘Transition Period’ lasting until 31<sup>st</sup> December 2020. The Transition Period closely mirrors arrangements prior to the UK leaving the EU, with the UK continuing to apply and be bound by all EU laws. Goods and services are allowed to flow freely across EU/UK borders. British nationals are no longer EU citizens, but free movement of travel continues as before. European funded programmes, including ERDF and ESF, continue. New arrangements between the EU and the UK will come into place from 1<sup>st</sup> January 2021. At the time of writing this report, the nature of these trade arrangements remains unclear. It is possible that there will be free trade deal, which would remove tariffs on many goods traded between the EU and UK. But, should a trade agreement not be concluded, trade between the UK and EU will be undertaken on World Trade Organisation [WTO] rules – which would lead to the introduction of significant tariffs on goods, together with regulatory obstacles.
- 1.2 Estimates previously produced by HM Treasury predict that the medium-term negative impact of Brexit is likely to be greater in the NE than any other UK region. It was predicted that the level of economic activity in the NE would be about 11% lower under a no-deal scenario by 2033, over twice the impact on the least affected region (London, 6% lower).<sup>1</sup> Under a free-trade deal, the estimated negative impact is roughly halved, with economic activity in the NE expected to be about 6.5% lower.
- 1.3 Recent discussions with businesses and their representative organisations have provided the following additional insights into the potential impact of Brexit:
- There are significant risks to NE economy under no-deal, but risks remain even if a trade deal is agreed. In particular, ‘rules of origin’ could be major issue for the automotive sector, as vehicles include parts produced in a number of countries; while regulatory issues associated with product verification and certification could impact the pharmaceutical and chemicals sectors.
  - Potential opportunities from Brexit include supply chain consolidation and more sophisticated targeting of Government intervention/State Aid.
  - Even a comprehensive FTA would require actions by individual firms – they would need to adapt to new tariffs, regulatory issues and border issues; while there will be a new system for bringing in skilled workers from EU countries.
  - For most businesses and residents, dealing with the impacts of COVID-19 has had primacy over Brexit preparations this year. But there is also an interplay between the two. The economy contracted by over a fifth in the immediate aftermath of the pandemic and it is uncertain to what extent Brexit is slowing the recovery phase; for example, we have heard that Brexit uncertainty is delaying investment plans.

### *Update on NTCA Brexit Work programme*

- 1.4 This report follows updates on Brexit taken to NTCA Cabinet in February and October last year. At the time, Cabinet Members identified the need for: increased business engagement; identification of sectors or issues of concern to the business community; expansion of the NTCA Inward investment fund; consideration of access to finance issues which might impact firms; development of a longer-term response to Brexit; and supporting the development of a wider regional Freeport proposal.

---

1

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/760484/28\\_November\\_EU\\_Exit\\_-\\_Long-term\\_economic\\_analysis\\_1\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760484/28_November_EU_Exit_-_Long-term_economic_analysis_1_.pdf)

- 1.5 Over the past year, Brexit preparatory work has included activity informed by regular meetings with businesses and Government. This has included joint meetings with local authorities, businesses, the NE LEP and Government officials under the 'NE EU Exit Implementation Group'. Detailed guidance for businesses has been developed through the Growth Hub's 'UK Transition Toolkit', while training, guidance and advice has been promoted. Sectoral discussions have highlighted issues associated with the multi-country origin of automotive components, the need for the pharmaceuticals sector to have clarity about regulatory requirements associated with product certification and labelling; and the sensitivity of the NE farming sector to post-Brexit agricultural policy, subsidies and export tariffs. The NE's response to consultations on migration have highlighted that any new points-based immigration system should take into account lower average wage levels outside London and the SE, due to lower costs of living.
- 1.6 The NTCA inward investment fund has been increased to £10million. This fund is intended to help make it easier for firms to make a first investment in the area, by helping reduce some of their upfront costs. Even if Brexit increases trade frictions with the EU, the NTCA area will remain an attractive destination for businesses. We are aware of interest from UK professional services firms considering opportunities to 'Northshore' their activities, particularly given costs in London, while seeking the relocation of Government departments is also an important part of the NTCA's recovery plans. Recent discussions with businesses have highlighted that the quality of life, combined with excellent value for money, are particularly important components of the 'offer' for both inward investors and workers – alongside the usual skills and property issues. In addition to a focus on Northshoring, the NTCA's 'Recovery and Renewal Deal' recently agreed by Cabinet include proposals to improve access to finance to businesses, as part of the ambition to develop the infrastructure needed for business to flourish. The Combined Authority has also supported the case for increased Department of International Trade resource for the North and sought Government help to meet the growth opportunities of specific companies. The NTCA is pressing Government to take a much more assertive approach to increasing UK content in offshore wind farms, for example by proper assessment of UK economic impact through the procurement process and post-contract monitoring.
- 1.7 Government is expected to announce later this year a competition to select around 10 Freeports across the country. The emerging NE proposal is for a multi-site, digitally-enabled, zone linking key manufacturing sites with ports, including key assets in the North of Tyne area. Under this model, goods that enter at a port would be registered and tracked along transport corridors to their arrival points at manufacturing sites using number plate recognition technology. Manufactured goods could also be tracked to ports before being exported, retaining the customs and tax benefits of the Freeport throughout. Business organisations have highlighted that a Freeport is likely to be particularly helpful for smaller exporters and may enable greater tax efficiencies across supply chains involving larger companies. They have also highlighted that a network of Freeports in other parts of the UK, but without one in the NE, could lead to displacement of firms out of the region. It is estimated that the NE Freeport proposal would lead to over 1000 new jobs.

#### *Looking forward*

- 1.8 It is recommended that the NTCA continues to work closely with businesses to understand and monitor any potential impacts of Brexit on the economy, and to continue to highlight any issues and opportunities with Government.
- 1.9 These risks make it even more imperative that the area receives a significant COVID-19/Brexit economic stimulus package, including both one-off resources and longer-term replacement for EU funding, and that key sites in the North of Tyne area are given Freeport status.

- 1.10 Although the largest businesses in the region have well-prepared Brexit plans, covering a range of scenarios, most smaller exporting/importing businesses understandably remain significantly more focused on COVID-19 than Brexit. There have been some anecdotal reports of a small recent increase in the number of enquiries about Brexit to business support organisations.
- 1.11 Many businesses have indicated that they will review their processes once the nature of future EU-UK trade arrangements becomes clearer. Nevertheless, some preparations can be made in advance – including obtaining the necessary EORI number needed to move goods across the border; developing internal processes to comply with new tariffs, licenses and bureaucracy; and understanding the potential impact of any disruption to supply chains.
- 1.12 Discussions led by the Local Authorities have indicated that NE ports and Newcastle International Airport are well prepared, with much less likelihood for disruption than at crossings in the South of England. There is also the potential for some shift in demand to the NE, with importers choosing to use ports outside the SE to avoid disruption.
- 1.13 To avoid duplicating resources, it is proposed that the NTCA uses its website and social media channels to signpost businesses to specialist sources of Brexit-preparedness advice and support, including at: <https://www.gov.uk/transition> and <https://www.northeastgrowthhub.co.uk/toolkits/uk-transition-toolkit>. This would be similar to the approach currently used to signpost towards advice and support related to the COVID-19 pandemic. Given the evolving national backdrop, it is also recommended that Cabinet Members discuss this and other relevant Brexit issues by meeting with business representative organisations.

## **2. Potential Impact on Objectives**

- 2.1 Responding quickly and flexibly to the opportunities and challenges associated with Brexit was specifically highlighted within the NTCA's Vision – which highlighted issues associated with the nature of the new relationship with Europe and maintaining access to skills. Themes in this paper directly contribute to the North of Tyne Economic Vision, with a focus around business competitiveness, growth and skills. This report also strongly links to the NTCA's Recovery and Renewal proposals.

## **3. Key Risks**

- 3.1 Brexit poses a significant risk to the economy of the North of Tyne area. Government modelling predicts that the NE is likely to be the region of the country which is hardest hit by changes in the trading relationship with Europe, with particular vulnerability to a no-deal Brexit. Nevertheless, the key risk associated with the proposals highlighted in this paper is the lack of capacity of businesses and stakeholders to engage with Brexit planning, due to the ongoing COVID-19 pandemic.

## **4. Financial and Other Resources Implications**

- 4.1 There are no new financial implications associated with this report. To support Brexit preparations and adjustment, Government provided Combined Authorities with £182,000 of funding, alongside allocations to individual local authorities. Half of the North of Tyne funding has been allocated to match against similar contributions from the North East Combined Authority and NE Local Enterprise Partnership; this has been used to fund a range of activities, including the development of the NE Freezone proposal and joint regional Brexit co-ordination capacity. £91,000 of NTCA funding remains to support proposals which emerge from the activities highlighted in this report.



## **5. Legal Implications**

5.1 There are no new legal implications resulting from this report.

## **6. Equalities Implications**

6.1 As required by Section 149 of the Equality Act 2010, the Combined Authority has considered its obligations regarding the Public Sector Equality Duty and there will be no anticipated negative impacts on groups with protected characteristics arising from the proposals highlighted in this report. Although there are no anticipated impacts on these groups (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation) it is worth noting that any negative economic impacts associated with Brexit have the potential to have the biggest economic impact on those from the most deprived socio-economic backgrounds.

## **7. Inclusive Economy Implications**

7.1 There are no direct inclusive economy implications arising from the proposals in the report itself. However, the report highlights the vulnerability of the NE to structural economic changes arising out of Brexit. Previously, economic disruption has had a disproportionately negative impact on those with lower skills and with less stable employment.

## **8. Climate Change Implications**

8.1 There are no direct climate change implications arising from this report. However, Clean Growth is a particular economic opportunity for the NTCA post-COVID-19/Brexit. This is one of the key climate change priorities of the Combined Authority.

## **9. Consultation and Engagement**

9.1 This report builds on extensive communications with Business representative organisations, other Local Authorities and the NELEP, including through the monthly EU Exit Implementation Group.

## **10. Appendices**

None

## **11. Background Papers**

None

## **12. Contact Officers**

Rob Hamilton, Chief Economist  
[rob.hamilton@northoftyne-ca.gov.uk](mailto:rob.hamilton@northoftyne-ca.gov.uk)

## **13. Glossary**

WTO - World Trade Organisation

This page is intentionally left blank



**Subject:** Poverty Truth Commission

**Report of:** Head of Inclusive Growth

**Portfolio:** Employability and Inclusion

### Report Summary

The purpose of this report is to provide an update on progress with the development of a Poverty Truth Commission for the North of Tyne and seek approval for next steps.

### Recommendations

The Cabinet is recommended to:

1. Note the progress in relation to the development of a Poverty Truth Commission for the North of Tyne.
2. Authorise the Director of Policy and Performance, in consultation with the Portfolio Holder, to finalise next steps in taking forward the Commission, including securing appropriate funding.

#### 1. Background Information, Proposals and Timetable for Implementation

- 1.1 NTCA is committed to delivering an inclusive economy for the benefit of all our residents in the North of Tyne. The COVID-19 crisis has radically altered the landscape in which we are working, putting poverty, inequality and the importance of economic and social cohesion at the forefront of people's minds. With advice from our Inclusive Economy Board, NTCA has been considering ways in which our residents' experiences can feed directly into our area's recovery response, and NTCA's ongoing engagement and co-design work. Poverty Truth Commissions are one mechanism to do this, enabling the voices of groups traditionally marginalised in decision-making to have a more direct impact on our work.
- 1.2 Poverty Truth Commissions (PTCs) are models of direct engagement where community, civic and business representatives are brought together with people with lived experience of poverty. Commissions work to understand the specific features of poverty in their areas and work collaboratively to come up with practical solutions – delivering policy change in partnership. Central to the PTC model are the principles of fairness and equity. Consequently, PTCs are usually supported by local authorities but not led by them and are hosted independently to ensure their work is genuinely equitable and collaborative. PTCs aim to help to facilitate a wider range of voices to join decision-making, intending to produce better informed decisions as a result.
- 1.3 Key features of PTCs include:
  - They run for two years (on average). This involves a 'start-up' phase of around 6 months which is pivotal to the success of the PTC. In the start-up phase the shape of the Commission is developed, with people with lived experience of poverty working with key stakeholder such as the local authorities to identify participants to join the commission.
  - Recruitment then comes from a wide range of communities of place and interest, prioritising the voices of groups which are rarely heard in traditional methods of engagement.
  - PTCs are built collaboratively on a mix of commissioners from the public sector (Councillors and officers), business and civil society and people with lived experience of poverty – all working together on an equal footing.

- Recruiting an independent Chair to provide an informed voice which is able to challenge traditional narratives and discuss underlying assumptions in a neutral way.
- PTCs usually secure funding from a mix of public, civic and/or business sources to help support this collaboration.

1.4 There are ten active Poverty Truth Commissions across the UK. Whilst sharing a common approach, each of these commissions is independent and developed locally. Commissions are supported in their development by the independent charity The Poverty Truth Commission Network.

#### **How would a PTC support existing local work to make a difference?**

1.5 Newcastle, North Tyneside and Northumberland local authorities all have established programmes of work seeking to address the unique characteristics of poverty and exclusion in their areas.

#### 1.6 *Newcastle*

The work of the City Council's Active Inclusive Partnership has been central to the city's approach to addressing poverty and exclusion since 2013. It provides a framework through which a wide range of partners work together to maximise the value of collective resources to help residents to maintain the foundations for a stable life. These are defined as: having somewhere to live, an income, being financially stable and accessing employment opportunities. Key outcomes have included supporting income maximisation by helping over 23,000 households gain nearly £29m in unclaimed benefits and providing the Money Matters consultancy advice line for professionals and volunteers to address benefits and income queries quickly and efficiently on behalf of residents.

#### 1.7 *North Tyneside*

In September North Tyneside's Cabinet approved a flagship £1m Poverty Intervention Fund, seeking to build on established work in relation to poverty and inequality. It will target funding and support to address the financial, social and health impacts of poverty through focusing specially on three target groups: children, families and older people. The Fund is overseen by a Steering Group made up of elected members and relevant external organisations as well as the area's Young Mayor and youth Cabinet members to ensure young people voices and experiences are central to the impact of the Fund.

#### 1.8 *Northumberland*

Northumberland County Council has made a strategic commitment to poverty reduction and prevention by appointing a senior manager responsible for the coordination and development of activities across all areas of the authority's work. This has resulted in innovative work such as the authority's Welfare Rights Team acting as a joint initiative with the local Foundation Trust, providing specific advice, training and support to frontline staff in health and social care services. This work has been identified as good practice in the recent follow-up report to the Marmot Review into health inequality. During the pandemic the authority has worked close with community leaders to build the capacity of community-led partnerships to provide hardship funding and address food insecurity, and financial wellbeing in the areas of greatest need.

1.9 A PTC for the North of Tyne in 2021/22 would build on this learning and expertise by providing additional capacity to understand better how the unique pressures of the COVID-19 crisis are affecting residents, especially those most vulnerable to the financial, social and health effects of the pandemic. As the first PTC to occur at a combined authority geography it would provide a further demonstration of our commitment to local collaboration and our understanding of the relationship between social and economic resilience for people and places. A North of Tyne PTC would help to identify and share good practice across the area, highlighting any specific gaps for further work based on the rapidly changing effects of COVID-19. It would also help bring wider stakeholders, such as business commissioners, into the discussion of the emerging issues and subsequent action.

## PTC's and Co-design

- 1.10 COVID-19 is exacerbating inequalities nationally and regionally: this is explicitly acknowledged in our Recovery Plan. Providing the opportunity to hear directly from our residents and communities about this issue will help the Combined Authority, and our partners, to respond to COVID-19 effectively and consider wider opportunities to address inequality and socio-economic disadvantage through our work. As a consequence, a PTC for the North of Tyne would demonstrate how we are putting poverty and inequality at the heart of our understanding of inclusive economic growth. There is likely to be additional learning, for example, how to engage well and meaningfully on-line with rarely heard groups. NTCA is seeking advice on this issue specifically as a COVID-19 PTC is likely to begin on-line rather than in person.
- 1.11 Central to the PTC model is a recognition that it is a learning experience whereby outcomes and outputs are not pre-determined before the Commission completes its work. However, some notable examples of PTC successes from other areas include:
1. In Leeds, the PTC model has proved so successful there have been three versions, each delivering specific outcomes based on the evolving insights and experiences of commissioners. One of the key successes of the Commission has been to effectively challenge some of the widespread misconceptions surrounding poverty, unemployment and 'welfare'. This was done through a wide range of means including a documentary that aimed to fight the stigma associated with living in poverty. The most recent commission also launched a 'Humanifesto' to challenge the dehumanising effects of poverty and public perceptions surrounding it.
  2. In Salford, Greater Manchester, the evidence and advice from their PTC resulted in the local authority providing an extra £70,000 funding for the council's welfare rights and debt advice service. This helped to support 3,436 people with specialist free help and advice and secured nearly £5 million in extra disposable income for Salford residents. It also had delivered a positive reduction in arrears levels in areas such as council tax.<sup>1</sup>
  3. In Scotland the effective inclusion achieved by PTCs was summarised as "Supporting people living in poverty to have the confidence to speak and people in positions of power to have the confidence to listen."

## Governance and Next Steps

### 2. Potential Impact on Objectives

- 2.1 NTCA's Vision is of a "dynamic and more inclusive economy...[which narrows] inequalities".<sup>2</sup> We are committed to giving everyone the opportunity to thrive – to achieve a fair wage, and access good jobs, and by working in partnership with business, civil society and our residents to achieve this. Our Inclusive Economy Policy Statement reinforces this by committing NTCA to taking a people-focused approach to support every individual to succeed.<sup>3</sup>
- 2.2 A North of Tyne PTC has the potential to ground our strategic commitments to co-production and co-design in a nationally-recognised model of good practice. A PTC would add considerable value to our work already underway including our Citizen's Assembly on climate change, our young people's engagement strategy and our Mayor's Question Time model with specialist groups. In particular, it could drive significant additional learning in relation to our engagement strategy, in relation to new forms of on-line engagement and reach. A PTC for the North of Tyne would provide one important, visible example of 'what works' in relation to engaging meaningfully with our residents, especially those at risk of significant socio-economic exclusion.

<sup>1</sup> <https://sccdemocracy.salford.gov.uk/documents/s7643/11%20TacklingPoverty%20in%20Salford%202017-18.pdf>

<sup>2</sup> Home of Ambition: The Vision for the North of Tyne Combined Authority, November 2018, p3

<sup>3</sup> Inclusive Economy Policy Statement, North of Tyne Combined Authority, December 2018, p4

### 3. Key Risks

3.1 The following key risks have been identified in relation to the proposals:

Area	Risk	Mitigation
<b>Scope of work</b>	Proposed activities fall outside of NTCA's powers & accountabilities.	NTCA officers have sought advice from the Portfolio holders and NTCA's Directors to ensure the proposed activities are appropriate and proportionate. It is not the intention that NTCA will directly host the PTC, only that it will enable its establishment via developing a funding partnership and identifying a suitable host organisation for delivery.
<b>Lack of engagement of commissioners</b>	A PTC fails to engage a sufficient breadth or number of commissioners	Presentation at NTCA's Inclusive Economy Board has indicated there is support for a PTC from a wider range of partners and stakeholders.
<b>Challenges to delivering a PTC on-line</b>	Continued on-line working presents additional barriers to mobilising a PTC	A prudent budget has been developed which includes technology and data for individual commissioners. NTCA will build on our own digital inclusion project and the work of VCSE organisations to understand and address the barriers to digital engagement affecting a PTC during COVID-19.

3.2 A PTC for the North of Tyne now can play a central role in co-designing the policies and programmes across the North of Tyne area. This will be in genuine collaboration with our residents and the communities we serve, especially those whose voices are seldom heard in traditional policy-making and decision-making forums.

### 4. Financial and Other Resources Implications

4.1 The Poverty Truth Commission Network, the independent charity supporting the development and delivery of PTC's nationally has advised on the draft budget below. The two scenarios below indicate two funding options: firstly, NTCA working with a single additional funder and secondly, NTCA working with two additional funders.

<b>PTC Funding Scenarios</b>		<b>Scenario 1</b>	<b>Scenario 2</b>
<b>Funder 1</b>	NTCA – Inclusive Economy Innovation Fund	£40,000-£50,000	£50,000
<b>Funder 2</b>	National charitable funder	£40,000	£50,000
<b>Funder 3</b>	Local charitable funder	£10,000-£20,000	£Nil
<b>Total</b>		£100,000	£100,000

4.2 It is not the intention that NTCA will deliver the PTC directly. NTCA will coordinate the funding required to establish a PTC. NTCA, with appropriate involvement of any funding partners, and in line with the Combined Authority's procurement procedures, will commission a suitable independent host organisation to deliver the PTC.

4.3 The indicative budget proposed will cover: one FTE development worker to support the coordination and delivery of the PTC, overhead costs for a PTC host organisation, and delivery costs including venue hire and small amounts of communications activity. NTCA's contribution will come from the

designated Inclusive Economy Innovation Fund within the Investment Fund. At the advice of the PTC Network we have included a suitable budget for digital infrastructure expenditure e.g. tablets and data to ensure residents already experiencing poverty are not further excluded as a result of the specific restrictions of COVID-19.

- 4.4 It is possible that, over the lifetime of the PTC, other funders may want to support its development, delivery or legacy. This could be a consideration in the recruitment of a suitable host. Subject to NTCA's usual decision-making process a possible timetable for delivery could be January 2021 – December 2022: this would cover the Commission's start-up phase (6-9 months), official launch and delivery phase, culminating in a final report and associated activities.

## 5. **Legal Implications**

- 5.1 The comments of the Monitoring Officer have been incorporated in this report.

## 6. **Equalities Implications**

- 6.1 It is anticipated that NTCA's PTC will have specific positive impacts for groups experiencing protected characteristics, under the terms of the Equality Act 2010. Residents with protected characteristics are more likely to experience the effects of socio-disadvantage which result in poverty. By creating a mechanism to directly improve the relevance, responsiveness and quality of interventions by the Combined Authority, our constituent authorities and wider partners and stakeholders for people experiencing poverty a PTC will specifically deliver the aims of the 2010 Equality Act: to advance equality of opportunity for all, especially for residents experiencing low pay/socio-economic disadvantage.

## 7. **Inclusive Economy Implications**

- 7.1 The PTC is part of NTCA's Employability and Inclusion policy priority, developing activities and interventions which achieve local economic resilience via strengthened communities, and more and good jobs. The PTC will specifically support the development of an inclusive economy in line with the following characteristics:

- Participation – Delivering a people-centred approach to local economic development by co-designing responses to COVID-19 which are based on the lived experience of our residents, especially those whose voices are least heard.
- Equity – Tackling inequality in the North of Tyne by creating a mechanism whereby the voices and view of residents experiencing poverty and socio-economic disadvantage are given parity with the experience of public sector and business and civil society commissioners.
- Growth – Informing the quality of NTCA policies, programmes and projects to target and effectively address poverty, directly targeting poorer communities, families and individuals.

## 8. **Climate Change Implications**

- 8.1 There are limited climate change implications to this report, however the PTC will offer NTCA the opportunity to learn about residents' experiences and views of climate change from the perspective of lived experience of poverty. This will support the work of our Citizen's Assembly on Climate Change and our partnership project with Ashden, the climate change charity, in particular.

## 9. **Consultation and Engagement**

- 9.1 Under the direction of Portfolio holders, NTCA officers presented these proposals to the Inclusive Economy Board in September 2020 for early advice and support. To develop this proposal officers have also held meetings with Salford Council's senior policy lead with experience of the area's successful PTC, and with council officers, development workers and commissioners with lived experience involved in Gateshead's new PTC. Finally, officers have worked closely with both the independent Poverty Truth Commission Network and JRF as an experienced PTC partner and funder, to build on best practice. The three constituent local authorities have been actively involved

throughout: NTCA officers have benefitted in particular from advice from Northumberland's senior manager with responsibility for poverty programmes, as she has previously worked on two PTCs nationally.

10. **Appendices**

None

11. **Background Papers**

NTCA Inclusive Economy Board, Poverty Truth Commission Report, September 2020

12. **Contact Officers**

Leigh Mills  
Head of Inclusive Growth  
07855 100179 [leigh.mills@northoftyne-ca.gov.uk](mailto:leigh.mills@northoftyne-ca.gov.uk)

13. **Glossary**

PTC	Poverty Truth Commission
NTCA	North of Tyne Combined Authority





**Subject: Investment Fund Update and Funding Approvals**  
**Report of: Director of Economic Growth**  
**Portfolio: Economic Growth**

### Report Summary

The purpose of this report is to update Cabinet on progress made on the North of Tyne Investment Fund. It outlines progress to date including £40.33m committed to projects, over £100 million of private sector leverage, and a forecast of 2732 jobs.

The report provides an update to Cabinet on several of our significant programmes of investment targeted at our key sectors – showing how funding allocations made by Cabinet are translating into delivery on the ground. These include our Culture and Creative Recovery Fund, Offshore Innovation and Offshore Infrastructure programmes and recently secured Brownfield Housing Fund.

The report also seeks Cabinet agreement to allocate £10m of Investment Funds to proceed with a North of Tyne Recovery Innovation Deal and delegated authority for finalising the detailed delivery arrangements and approval of individual awards through the fund once established. This allocation will support post-COVID-19 adaptation and innovation – supporting our businesses, social enterprises and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis.

### Recommendations

The Cabinet is recommended to:

1. Note progress to date on the Investment Fund, achievement of key milestones and ongoing development work, particularly in respect of defrayed expenditure and achievements in terms of tangible jobs for residents as a direct result of our investment
2. Note progress in relation to our Culture and Creative Recovery Fund, including the outcome of the recent call.
3. Note progress to date of our Offshore Infrastructure Investments and the launch of our Offshore Innovation Programme.
4. Note recent progress to operationalise the North of Tyne Brownfield Housing Fund.
5. Agree the allocation of £10m from the Investment Fund for the Recovery Innovation Deal.
6. Delegate authority to the Interim Head of Paid Service, in consultation with the Mayor and Investment Panel, to agree the final delivery arrangements for the Recovery Innovation Deal and to make subsequent Investment decisions.

### 1. Background Information, Proposals and Timetable for Implementation

- 1.1.1 The North of Tyne Investment Programme was established to support growth and job outcomes as outlined in the Devolution Deal. It is shaped by the Economic Vision agreed by Cabinet and includes a growing portfolio of investments designed to benefit people, places, businesses and the economy across the Northumberland, North Tyneside and Newcastle.
- 1.1.2 In the last year, Cabinet have made significant headline allocations to support key sectors including around clean growth, digital and culture and creative. The impact of the pandemic has further

increased the need for this investment, this report includes an update on how we have accelerated delivery across several of our programmes with a focus on recovery.

1.1.3 As of the beginning of October 2020, £40.33m has been committed against 48 projects. This report provides an overview of progress to date as well as a forward look at upcoming milestones and priorities for the fund.

## 1.2 Investment Fund progress to date

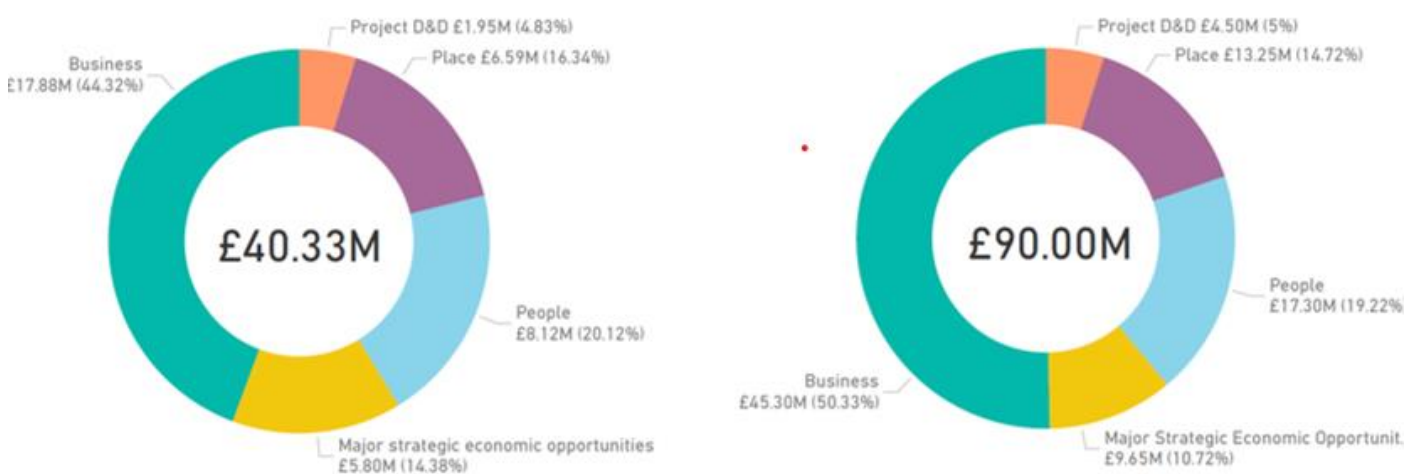
Delivery on the programme is now in full swing, a healthy pipeline has been established and includes a broad range of funding proposals which will deliver across our priorities. Project proposals continue to progress through our assurance framework with pace remaining an important focus. We continue to work closely with portfolio holders to progress work around our key sectors and provide support to businesses and residents through this challenging time.

The impact of our efforts is evident in the rapid increase of committed and defrayed expenditure, and more importantly in the outcome's projects are reporting. This includes the recruitment of people into new employment opportunities created as a direct result of our investment.

To date the Combined Authority has achieved:

- A commitment of £40.33 million against 48 projects
- Defrayal of £1.15m of expenditure
- These projects will attract £104.56 million of private sector investment and are forecast to deliver 2732 jobs.

**Diagram 1 Investment Fund commitments to date against allocations in the investment plan**



Support to businesses in our key sectors increases with the launch of both our Digital Adoption Programme (£750,000) and Offshore Innovation programme (£3.4m), accessed through the region's Catapults for Digital and Offshore Renewable Energy respectively. An update on the Offshore programme is included later in this report; this complements our existing business support offer including the North of Tyne Growth fund (managed by our delivery partner UMi), Rural Business Growth Fund (managed by Advance Northumberland) and our Inward Investment Programme delivered in-house.

The start of October saw a further two calls for investment published by the Combined Authority:

- The Green New Deal fund – The focus of the Green New Deal fund is to support the ‘green growth economy’ by prioritising projects which can deliver significant carbon reductions as well as supporting new industry and jobs in areas where emissions reductions are most needed. Through the call the Combined Authority is seeking an external organisation with appropriate experience, skills and track record to co-design, manage and administer the £9m Green New Deal Fund. Call closes 9<sup>th</sup> November.
- The Digital Ecosystem – This £5m call is seeking expressions of interest for projects with a particular focus on; supporting the growth of start-up and early-stage digital or tech businesses, the development and growth of digital clusters, supporting innovation through the progression of ideas and product development and, development costs to support larger projects of national significance. Call closes 13<sup>th</sup> November.

The Employability and Skills programme is progressing as we start to see the first of our projects agreed in principle, securing match through the European Social Fund. Full business cases are expected to come forward for consideration through the agreed delegation to the interim Head of Paid Service in consultation with Investment Panel over the next few months.

Work has also commenced on operationalising our Community Hubs Pilot Programme; with a ‘bottom-up’ approach agreed, delivery proposals are in development within our 3 constituent authorities with final proposals to be considered before the end of the calendar year.

### **1.3 Culture and Creative Recovery Fund**

In January 2020 Cabinet agreed an allocation of £6m of the Investment Fund to support the growth of the Culture and Creative sector. The impact of the COVID-19 crisis on the Culture and Creative sector has been extreme and has highlighted the need to stabilise the sector before it is realistic to expect growth opportunities.

The impact of the pandemic highlighted an opportunity to provide bespoke support for the sector to aid recovery. Investment Panel, at their meeting in June 2020, agreed £3.25m of the £6m allocation could be utilised to establish a North of Tyne Culture and Creative Recovery Fund focusing on the restart and recovery phases for the sector. This fund will be complemented by Culture and Creative Zones established and operational in 2021/22 onwards. In addition, a specific focus on creative skills will form part of the overall NTCA Skills for Recovery and Growth approach.

Throughout the development of the fund careful consideration has been taken to ensure the Combined Authority’s funds add value to any other support available for the sector, including Government’s £1.57bn rescue package for arts, culture and heritage industries.

The North of Tyne’s fund is aimed at supporting recovery for smaller organisations and freelancers. It will provide support to adopt new ways of delivery, innovative programming and establishing new or revised business models, targeting local infrastructure in the sector and supporting at the grass roots level, essential for the long-term health of the sector. The fund will also enable NTCA to set up a mechanism to support the sector in the area and potentially become a vehicle through which future national funds could be deployed.

NTCA launched a call for proposals to deliver the recovery fund in August which closed on the 21<sup>st</sup> September. Following an evaluation and appraisal exercise, we can now confirm that we have a preferred delivery organisation who, subject to finalising contracting arrangements, will be working with the Combined Authority to deliver a diverse offer including grants, repayable grants and loan finance for the sector, available to businesses at the start of next year.

### **1.4 Update on support for the Offshore Renewables Sector**

Earlier this year Cabinet agreed a headline Investment Fund allocation of £25 million up to 2028 for the Offshore and Subsea programme with a focus on infrastructure and innovation. The intention is

that this programme will unlock the potential for accelerated growth in our clean energy sector, building on our already world-class assets in offshore wind, subsea technology and the associated supply chain.

In July the £3.4m Offshore and Subsea Supply Chain Innovation programme was agreed, to be delivered in partnership with ORE Catapult. The programme is now live, with support available to assist with market entry, technology transfer and supply chain advice, accelerate new products and services. This is an exciting time for the sector in the region, with the offer firmly focused on putting our companies ahead of the curve.

Running in parallel is the Offshore Renewable Infrastructure Programme, with £6.5m available for investments up to March 2023. This programme will complement the Supply Chain Innovation Programme and is focused on improvements that will strengthen existing infrastructure capabilities and capacity as well as attracting new opportunities.

A call for project proposals was issued in September and closed on the 2nd November. The intention is to support the development of a robust pipeline of investable propositions with a focus on developing infrastructure:

- In ports and quays
- In demonstration and research opportunities
- To meet the needs of the offshore wind and subsea supply chain

The minimum NTCA investment will be £200,000 with the applicant expected to provide match funding of at least 50% of the total project costs. Further information on the outcome of the call will be provided to Cabinet in the coming months.

## **1.5 Brownfield Housing Fund**

As part of the March 2020 Budget, the Chancellor launched a £400 million Brownfield Housing Fund (BHF) with the aim of creating more homes by bringing more brownfield land into development. The majority of this fund has been devolved to Mayoral Combined Authorities (MCAs), with a residual 10% of the fund available through a national competitive process.

In July 2020, the NTCA secured a £23,853,618 share of the Brownfield Housing Fund. The funding is intended to support the development of at least 1,500 new homes on brownfield sites across the North of Tyne area. In addition to this, and to support the acceleration of delivery in the earlier years of the programme, NTCA secured £550,999 in revenue funding.

NTCA Cabinet has approved an overall approach to delivery of the Fund, and the Combined Authority has been working with Local Authorities to ensure the development of a balanced and bottom-up pipeline which reflects the different strategic priorities of our three Authorities and relevant stages of development. The Brownfield Housing Fund specifically supports sites with an identified market failure and the pipeline of proposals is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach. Different funding streams and partnership arrangements will be used to best meet priorities across the area, allowing the Combined Authority and the wider partnership to take a long-term strategic approach to supporting housing and economic recovery.

NTCA and Local Authorities have worked closely to develop the pipeline of proposals for the Brownfield Housing Fund as part of a compressed process to develop and agree a programme with a £5m spend target by March 21. The draft pipeline was considered by the Housing & Land Board and Investment Panel in October and an updated pipeline will be considered in November.

A number of 'Quick win' projects have been identified and will be coming forward for consideration in November. Work on site is due to commence in December 20.

## **1.6 North of Tyne Recovery Innovation Deal**

The Recovery Innovation Deal is the next phase in our collaborative response to the impacts of COVID-19 across the region. It will provide £10m of funding from the NTCA Investment Fund to support post-COVID-19 business recovery – for innovations that will make a difference now, and that will leave a legacy that lasts beyond the immediate crisis.

Cabinet has noted the urgency of post-COVID-19 adaptation for our places and businesses; particularly those for whom marginal investment in new ways of working could make the difference to staying viable, keeping jobs, and using the crisis as a way to build and renew.

Government emergency measures focus on mitigating the immediate impact of restrictions on cashflow and take-home pay. Our Leaders and Mayors continue to make the case that these measures should reflect the scale of impact we are seeing across our hospitality and other sectors; and deliver a fair settlement for people who work in these sectors.

But Mayor and Cabinet have also been clear about the need to support recovery – helping our economy adapt and survive; and helping us create an economic exit route from the crisis in which we currently find ourselves. This is where the value-add of NTCA investment is clearest. We do not have the scale of resources needed to bridge the gap for all businesses; but we can help to prepare for recovery and renewal through supporting innovation and post-COVID-19 business models that can out-last the crisis. This will be particularly important as our economies seek to recover from the November national lockdown.

The Deal is explicitly focused on innovation – supporting activities that will help businesses and places adapt so they can operate in a COVID-19-secure environment. This will include supporting small and independent organisations, which do not have the benefits of the support frameworks available to larger national chains.

Practical examples of how this funding could be used include helping businesses adapt to digital ways of working; creating new, COVID-19-secure spaces; and supporting the development of stronger local supply chains. This could be about a restaurant shifting to using online platforms; a small business investing in the means to keep its staff working remotely; or a social enterprise developing new lines of business that will support post-COVID-19 growth.

In addition to directly enabling job retention and creation, the Deal will help the Combined Authority meet its wider inclusive economy objectives, including by encouraging the development of productive and sustainable local supply chains, including with social economy organisations.

#### *How the Fund will work*

Cabinet is being asked to give headline approval for the creation of the Fund, and to delegate authority to the Interim Head of Paid Service – working in consultation with Mayor and Investment Panel – to work up detailed delivery arrangements with the NTCA team. The parameters for this are proposed to include:

1. *Pace* – ensuring we (as a cross-Authority partnership) bring forward proposals as quickly as possible and with the goal of protecting supporting recovery.
2. *Adaptability* – ensuring we retain the ability to adapt to a changing picture – including ensuring value add in relation to emergency Government funding
3. *Innovation* – supporting initiatives that not only make a difference now but will support business models that help our economy and places to recover from COVID-19.
4. *Jobs* – prioritising initiatives that help to keep jobs, create new jobs where possible, and can help turn the crisis into longer term opportunities for people.
5. *Alignment* – with our strategic priorities and inclusive economy approach, including supporting inclusive business models.
6. *Financial innovation* – creating a pipeline which mixes revenue, capital and recyclable funding – working hand-in-glove with our LAs and partners to ensure benefits to local businesses and communities, and to maximise return on investment.

7. Co-production – ensuring that our approach is rooted in insight from the field and a strong sense of where our investment will create most impact.

All investments through the Recovery Innovation Deal will be awarded through an open and transparent application process which is compliant with our assurance framework. This will identify external organisations who can help the Combined Authority to deliver a package of measures which will have benefits across multiple businesses and organisations.

Subject to a Cabinet decision, we would focus on designing and delivering at pace – with funding deployed and projects expected to be operational as soon as is practicably possible.

To support an accelerated approach to delivery Cabinet is asked to:

- i) approve the allocation of £10m from the Investment Fund for the Recovery Innovation Deal; and
- ii) delegate authority to the Interim Head of Paid Service, in consultation with the Mayor and Investment Panel, to agree the final delivery arrangements for the Recovery Innovation Deal and to make subsequent Investment decisions.

## **2. Potential Impact on Objectives**

- 2.1 Programme delivery as described in the report is consistent with the priorities set out in NTCA's vision.

## **3. Key Risks**

- 3.1 Programme risks are managed in line with agreed processes and Individual project risks have been considered as part of the application and appraisal process.

## **4. Financial and Other Resources Implications**

- 4.1 A total allocation of £10m is requested from the Investment Fund a financial profile will be agreed as part of the delivery arrangements with an ambition to accelerate spend.

## **5. Legal Implications**

- 5.1 The Interim Monitoring Officer's comments have been included in this report.

## **6. Equalities Implications**

- 6.1 Equality impact assessments are undertaken for all funding requests in accordance with the agreed process.

## **7. Inclusive Economy Implications**

- 7.1 The inclusive economy case is assessed on an individual project basis as part of the assessment process and is embedded within the Investment Fund criteria.

## **8. Climate Change Implications**

- 8.1 Climate change implications are assessed on an individual project basis as part of the assessment process. The activity described within this report is considered to positively support the climate change priorities of the Combined Authority.

## **9. Consultation and Engagement**

- 9.1 Stakeholders have been fully engaged in the development of the project proposals and as far as possible wider engagement has been sought in the development and market testing of open calls

## 10. Appendices

None

## 11. Background Papers

None

## 12. Contact Officers

Chrisi Page, North of Tyne Investment Programme Manager  
[Chrisi.page@northoftyne-ca.gov.uk](mailto:Chrisi.page@northoftyne-ca.gov.uk) ,  
07977 51755

## 13. Glossary

NTCA	North of Tyne Combined Authority
ORE	Offshore Renewable Energy
LA7	Local Authorities based in the North East covering the geographical area of Newcastle, Northumberland, North Tyneside, South Tyneside, Gateshead, Durham and Sunderland,
SME	Small to Medium Enterprise

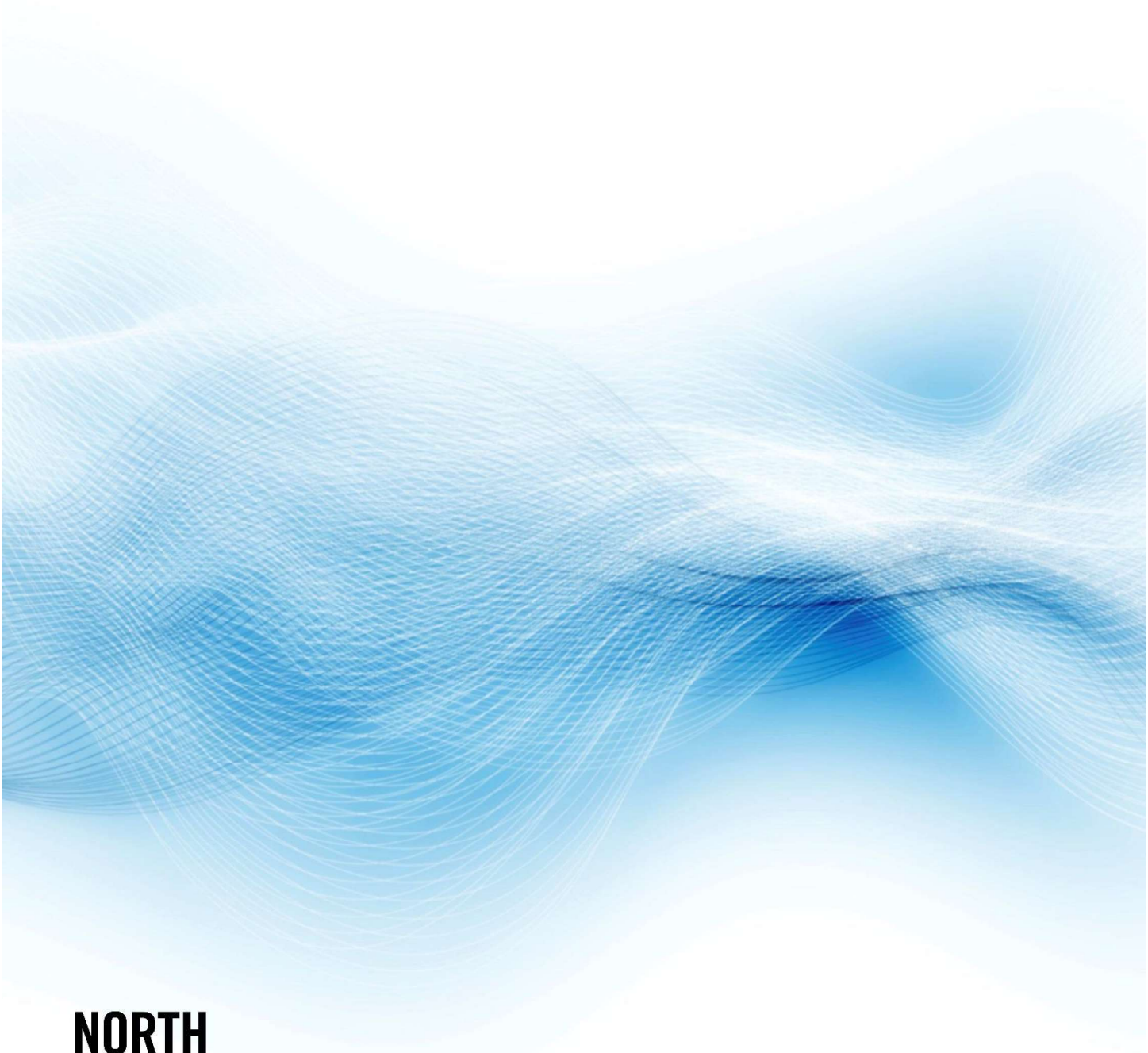
This page is intentionally left blank





# Audit Completion Report

North of Tyne Combined Authority  
Year ending 31 March 2020



**NORTH  
OF TYNE**  
~~~~~  
**COMBINED  
AUTHORITY**



## CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the ‘Statement of Responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Members of the Cabinet  
North of Tyne Combined Authority  
North Tyneside Council  
Quadrant West  
The Silverlink North, Cobalt Business Park  
North Tyneside  
NE27 0BY

13 November 2020

Dear Members

**Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 28 July 2020. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Authority was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Signed: 

Cameron Waddell  
Mazars LLP

Mazars LLP – Salvus House, Durham, DH1 5TS  
Tel: +44 (0) 191 383 6300 – Fax: +44 (0) 191 383 6350 – [www.mazars.co.uk](http://www.mazars.co.uk)

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of North of Tyne Combined Authority ('the Authority') for the year ended 31 March 2020, and forms the basis for discussion at the Audit and Standards Committee meeting on 17 November 2020.

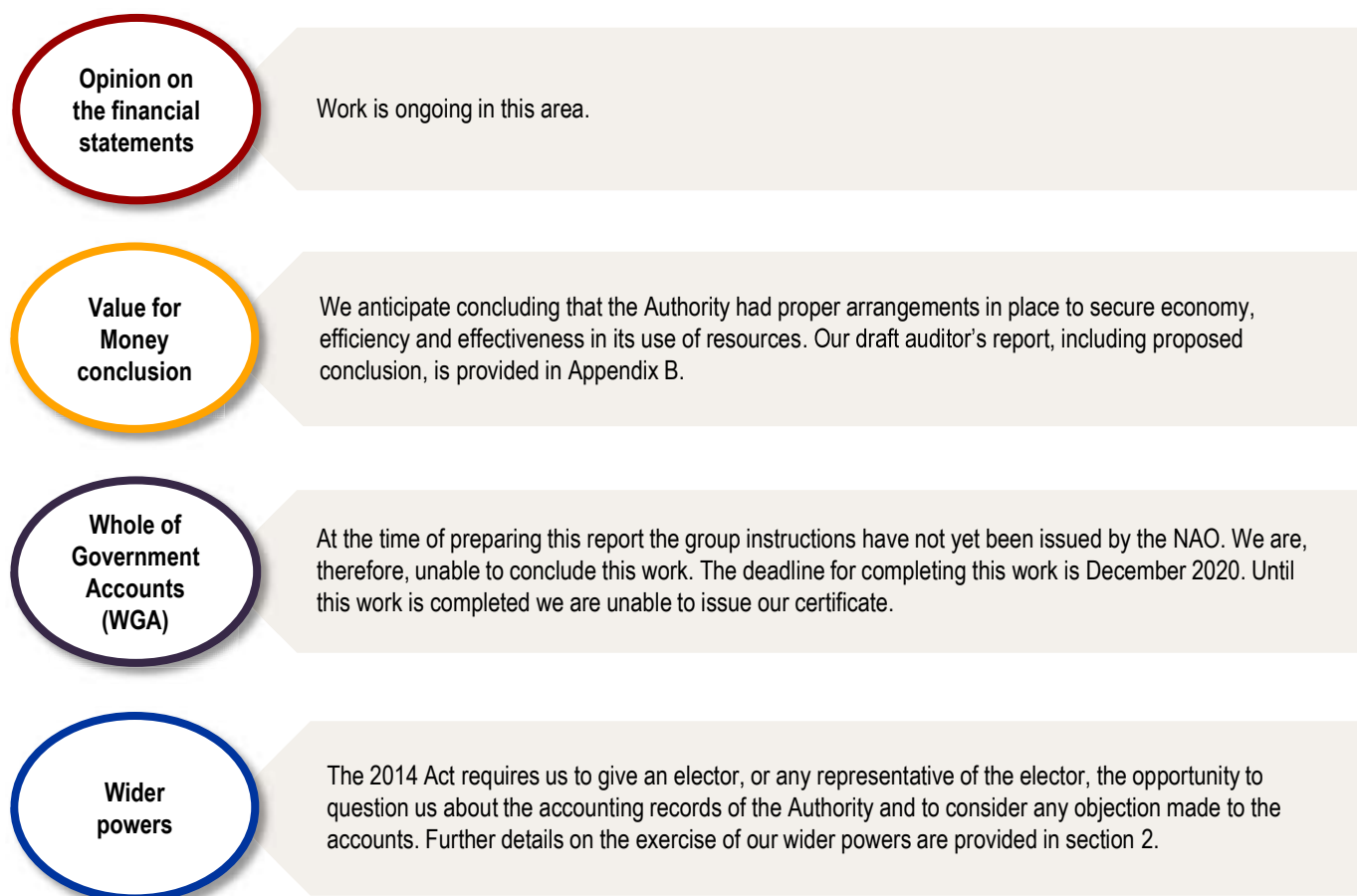
The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control (relevant to single entity and group accounts).
- Revenue recognition in relation to Tyne Tunnel tolls and grant income (relevant to single entity and group accounts).
- Defined benefit liability valuation (relevant to group accounts only).

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:



Executive summary

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money conclusion

Appendices

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

| Audit area                       | Status | Description of outstanding matters                 |
|----------------------------------|--------|----------------------------------------------------|
| Related parties                  | ●      | Awaiting declarations of interest for one members. |
| Cashflow Statement               | ●      | Awaiting response to queries.                      |
| Expenditure and Funding Analysis | ●      | Awaiting evidence from the client.                 |
| Going concern                    | ●      | Work is ongoing.                                   |
| Group consolidation              | ●      | Awaiting revised working paper from client.        |

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit and Standards Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in July 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £4.574 million for NTCA single entity and £8.906 million for the Group using a benchmark of 2% Total Assets. Our final assessment of materiality, based on the final financial statements and qualitative factors is £5.081 million for NTCA single entity and £9.784 million for the Group, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Standards Committee, at £152,000 for NTCA single entity and £294,000 for the Group based on 3% of overall materiality).

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations. Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Standards Committee in a follow-up letter.

## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Significant risk

#### Description of the risk

Management override of controls

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Our audit work has not identified any material issues to bring to your attention.



## 2. SIGNIFICANT FINDINGS (CONTINUED)

| Significant risk                                                                                                      | Description of the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenue recognition -in relation to Tyne Tunnel tolls and grant income (relevant to single entity and group accounts) | <p>Revenue recognition has been identified as a significant risk due to:</p> <ul style="list-style-type: none"> <li>• cut off considerations for Tyne Tunnel toll income given the cash nature of the receipts; and</li> <li>• grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met.</li> </ul> <hr/> <p><b>How we addressed this risk</b></p> <p>We plan to address the revenue recognition risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• the design and implementation of controls management has in place to ensure income is recognised in the correct period;</li> <li>• cash receipts around the year end to ensure they have been recognised in the right year;</li> <li>• the judgements made by management in determining when grant income is recognised;</li> <li>• for Tyne Tunnel toll income, perform a substantive analytical review; and</li> <li>• for major grant income, obtaining counterparty confirmation.</li> </ul> <hr/> <p><b>Audit conclusion</b></p> <p>Our audit work has not identified any material issues to bring to your attention.</p> |

| Significant Risk                                                      | Description of the risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Defined benefit liability valuation (relevant to group accounts only) | <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p> <hr/> <p><b>How we addressed this risk</b></p> <p>We plan to address the defined benefit liability valuation risk through performing audit work over -</p> <ul style="list-style-type: none"> <li>• evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary;</li> <li>• consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office; and</li> <li>• we will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements.</li> </ul> <hr/> <p><b>Audit conclusion</b></p> <p>Work is ongoing on NTCA Group. However, we have received and considered the assurance from the Pension Fund auditor for NTCA. NTCA and the Group have included in its revised financial statements, a disclosure in respect of material uncertainty due to Covid 19 for the pension fund property investments. We have therefore updated our auditor's report wording to draw attention to this in an Emphasis of Matter paragraph.</p> |

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### **Qualitative aspects of the Authority's accounting practices**

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's circumstances.

Draft accounts were received from the Authority on 14 August 2020. As last year, we identified a number of errors in the draft accounts including incorrect headings, internal consistency, incorrect prior year information, grammatical, incorrect accounting treatment or other typographical matters that we would have expected to be identified in the Authority's own internal quality review prior to draft publication, as the majority of notes required an amendment to be made. Although the matters were not always of a significant nature (although many of our findings, per section 4, were material) they were quite extensive in number, and more amendments were required than we would expect. The Authority should consider how to strengthen its own quality assurance of the statements prior to draft publication, and audit. Section 3 includes an internal control deficiency on this issue.

### **Significant matters discussed with management**

#### ***Covid-19***

Over and above our normal challenge of management assertions in respect of the financial statements, we also discussed the impact of Covid-19 on NTCA's business, including potential impact on risks of material misstatement and going concern.

#### ***McCloud Judgement***

The McCloud judgement relates to potential age discrimination arising from transitional protections offered to some existing members of public service pension schemes that were not made available to younger members. In July 2019, Treasury confirmed that the difference in treatment between older and younger members of public service pension schemes would need to be removed in order to remove the discrimination. This has no impact for NTCA in 2018/19. For the financial year 2019/20 the respective actuarial reports included the likely impact.

In July 2020 Treasury initiated a consultation on the proposed remedy for public service pensions and MHCLG released a consultation into the proposed remedy for the LGPS, which set out the estimation basis for the impact of the judgement.

Management enquired of Aon Hewitt, in relation to the expected outcome of this change on the LGPS. Aon Hewitt confirmed that the estimate made in the 2019/20 IAS 19 report included a methodology not dissimilar to that in the consultation and as such your actuary does not expect there to be a material difference in the LGPS meaning that a recalculation based on the consultation remedies was not required.

#### ***Goodwin Case***

A case was made against the Teachers Pensions Scheme in relation to sexual orientation discrimination. The discrimination occurs because there is a difference in survivor benefits payable depending upon whether the member was in a same-sex marriage or civil partnership or an opposite-sex marriage or civil partnership. The government concluded that changes are required to the Teachers' Pension Scheme to address the discrimination. The government believes that this difference in treatment will also need to be remedied in those other public service pension schemes, where the husband or male civil partner of a female scheme member is in similar circumstances.

Management enquired of Aon Hewitt, and they have confirmed that there will be an additional liability arising from the Goodwin judgement. Full information is not yet available to accurately calculate the impact, however, based on an estimation, it is expected to have a minor impact. As the impact of this is expected to be well below materiality, no adjustment to the financial statements has been made.

As the McCloud and Goodwin issues relate to the refinement of an estimate rather than an error, they have not been reported as unadjusted misstatements in section 4.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money  
conclusion

Appendices



## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant difficulties during the audit

During the course of the audit we had the full co-operation of management. However, we did experience a number of difficulties, for example slow response time to queries and requests for information as well as poor quality accounts due to a significant number of errors (note: 79 general errors were raised during the casting process), incorrect accounting treatments and numerous versions of the same working paper obtained to correct an error.

In the prior year, we reported that some of the systems and practices were not fully developed and embedded due to the Authority being newly established. We have followed up on that this year and found that the majority of systems and practices have been put in place however, an internal control deficiency has been raised regarding partnership working (see section 3).

Given the Government's Covid-19 instruction for the public to work from home if possible, our audit was completed remotely but this did not cause significant difficulties during the audit because:

- we used technology, such as video conferencing, to ensure the audit was completed to the required standards;
- all working papers provided were electronic; and
- we used a team of public sector audit specialists with the same engagement lead, senior manager and team leader as in 2018/19.

At the conclusion of our audit we will review our proposed audit fees, discuss and agree any adjustments needed with management, and report final fees in our Annual Audit Letter.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

| Priority ranking  | Description                                                                                                                                                                                                                                                        | Number of issues |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| <b>1 (high)</b>   | In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately. | 0                |
| <b>2 (medium)</b> | In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.                                                                                                             | 3                |
| <b>3 (low)</b>    | In our view, internal control should be strengthened in these additional areas when practicable.                                                                                                                                                                   | 0                |

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Other deficiencies in internal control – Level 2

##### Description of deficiency

In 2018/19 we raised that for NTCA to strengthen their governance arrangements they should consider having a list of significant partners disclosed on their website showing signed assurance statements for governance – we have raised this as a recommendation for 2018/19 rather than an internal control deficiency as NTCA should consider their governance arrangements as they are still embedding in due to the Authority only being established in November 2018. Management's response was that work is already underway to develop a partnership risk register – was not in place for 2018/19 as newly established Authority. We have therefore followed up this recommendation as part of the 19/20 audit and found that a partnership risk register has not been made available on NTCA's website.

##### Potential effects

Governance arrangements that are weak could lead to NTCA working with unsuitable partners or partners being omitted from the related party note.

##### Recommendation

NTCA should have a partnership risk register published on their website.

##### Management response

An exercise was undertaken with NTCA Officers to identify NTCA's significant partnerships - this is a partnership arrangement between NTCA and an organisation or body who is entirely or substantially responsible for delivering or managing an outcome for NTCA. A draft register was produced which includes the North East LEP, Nexus and the Voluntary, Community and Social Enterprise Organisations (VCSE). To support the 2019/20 Annual Governance Statement (AGS), Annual Partnership Assurance Statements were received from the North East LEP and Nexus, however work is underway to determine how to gather the necessary evidence from across the VCSE sector to support production of the 2020/21 AGS. Officers will work with VCSE organisations during 2020/21 to support the information gathering exercise to support production of the 2020/21 AGS.

Our new Website has only been up and running for a matter of weeks. The pandemic has inevitably caused delays to this work. We will place the required information on the site as soon as practicable. The authority will publish details of significant partners. That authority by its very nature a partnership organisation and works collaboratively with external anchor organisation across the region.

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Other deficiencies in internal control – Level 2

##### Description of deficiency

There are numerous errors that have been highlighted as part of the audit that should have been picked up as part of a quality control review of the accounts for instance, double counting of levy income, omission/misclassification of levy income, missing 2018/19 figures etc.

##### Potential effects

Possible material misstatement due to incorrect accounting treatment, error or omission. Increased officer time in responding to audit queries and amending the accounts. A longer audit period, leading to delayed completion and increased audit fees.

##### Recommendation

Quality control arrangements should be strengthened to ensure that the draft statement of accounts are of a higher standard before published online and audited.

##### Management response

The Chief Finance Officer has been considering the level of finance capacity supporting the NTCA , particularly following the event of becoming the Accountable Body for the North East LEP and the impact this has had on the capacity within the team. Whilst many financial systems and processes have been embedded during 2019/20, there is a recognition that the approach to the production of the Statement of Accounts could be improved to include more review and quality assurance. The intention is to continue to work with key finance officers from NECA and Nexus regarding timetable for the sharing of relevant financial information, and further with the NTCA constituent authorities agree an independent review process to support what is a very small finance team. This will enable the sharing of knowledge and skills around the final accounts process with the expectation of improved performance for the 2020-21 Statement of Accounts.

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Other deficiencies in internal control – Level 2

##### Description of deficiency

Related party declarations should be updated and obtained annually for all members and made available on the website.

We identified numerous members whose declaration forms were not available on the website and when requested Democratic Services stated the forms were outstanding.

A couple of members tested had a form on the website however the link did not work therefore was not available for the public to view. Democratic Services also stated that members were expected to provide any changes to their declarations but nil responses are not followed up to confirm if there has been any changes. We requested a response for one of the members and a response had not been received to confirm any changes.

The declaration of interests available on the websites are not dated therefore unable to view when they have been completed.

---

##### Potential effects

Related parties may not be identified which potentially may lead to fraud and error.

---

##### Recommendation

Ensure that related party declarations are completed, received annually (including nil responses and form dated) and made available on the website.

---

##### Management response

Under the Authority's Code of Conduct Members are required to register a range of interests and are under a continuing obligation to update their register entries when any change is submitted. The entries are therefore undated because the register reflects the current position as notified to the authority by the members.

With regard to the comments that numerous members' declaration forms were not available and that there were defects in the links on the website, it is acknowledged that the Authority had recently launched its new website and that there had been technical issues with the availability of members' entries on the register of interests. These issues were resolved after they were identified. At that time two members of the authority included in the sample by the auditors had not submitted their declaration forms. One declaration form has now been submitted and the other remains outstanding – this has been raised with the member in question

Whilst there is no requirement under the Authority's Code of Conduct or legislation that members make an annual declaration that they have not been involved in any related party transaction, it is noted that the auditors consider that this is good practice and the Authority will seek these from members in future.

---

## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.152 million (NTCA) and £0.294 million (Group).

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements 2019/20

|                                                                                                                                                                                                                                                                                                                    | Comprehensive Income and Expenditure Statement |            | Balance Sheet |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|------------|---------------|------------|
|                                                                                                                                                                                                                                                                                                                    | Dr (£'000)                                     | Cr (£'000) | Dr (£'000)    | Cr (£'000) |
| 1                                                                                                                                                                                                                                                                                                                  | Dr: NECA Cash                                  |            | 796           |            |
|                                                                                                                                                                                                                                                                                                                    | Cr: NTCA Cash                                  |            |               | 796        |
| On recalculation of Cash split for the devolution a variance has arisen as cash is a balancing figure due to the number of estimations used during the process.                                                                                                                                                    |                                                |            |               |            |
| 2                                                                                                                                                                                                                                                                                                                  | Dr: Debtors                                    |            | 187           |            |
|                                                                                                                                                                                                                                                                                                                    | Cr: Grant Income                               | 187        |               |            |
| This error was identified as part of the NECA audit. Covid-19 grant received in May 2020 related to a 4 week period commencing on 17th March 2020 and was not apportioned and accrued for in 2019/20. This unadjusted misstatement is NTCA's share (as relates to JTC) of 19/20 portion of the extrapolated grant. |                                                |            |               |            |
| <b>Total unadjusted misstatements</b>                                                                                                                                                                                                                                                                              |                                                | <b>0</b>   | <b>187</b>    | <b>994</b> |
|                                                                                                                                                                                                                                                                                                                    |                                                |            | <b>796</b>    |            |

### Adjusted misstatements 2019/20

|                                                                                                                                                                      | Comprehensive Income and Expenditure Statement  |            | Balance Sheet |            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|------------|---------------|------------|
|                                                                                                                                                                      | Dr (£'000)                                      | Cr (£'000) | Dr (£'000)    | Cr (£'000) |
| 1                                                                                                                                                                    | Dr: JTC Levy Income                             | 33,168     |               |            |
|                                                                                                                                                                      | Cr: JTC Levy Expenditure                        |            |               | 33,168     |
| Error due to double counting JTC levy income and expenditure in costs of services when included in Taxation and Non Specific Grant Income and Transport expenditure. |                                                 |            |               |            |
| 2                                                                                                                                                                    | Dr: Transport - Northumberland                  | 6,094      |               |            |
|                                                                                                                                                                      | Cr: Taxation and Non Specific Grant Income Levy |            |               | 6,094      |
| Error due to the omission of Northumberland's levy and levy expenditure.                                                                                             |                                                 |            |               |            |

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Adjusted misstatements 2019/20 (continued)

|                                                                                                      | Comprehensive Income and Expenditure Statement |            | Balance Sheet |            |
|------------------------------------------------------------------------------------------------------|------------------------------------------------|------------|---------------|------------|
|                                                                                                      | Dr (£'000)                                     | Cr (£'000) | Dr (£'000)    | Cr (£'000) |
| <b>3</b> Dr: Corporate Income                                                                        | 2,461                                          |            |               |            |
| Cr: Investment Expenditure                                                                           |                                                | 2,461      |               |            |
| Error due to double counting the investment fund income and expenditure.                             |                                                |            |               |            |
| <b>4</b> Dr: Cash                                                                                    |                                                |            | 2,879         |            |
| Cr: Short term investments                                                                           |                                                |            |               | 2,879      |
| Cash equivalent with Newcastle Council has been incorrectly classified as a short term investment.   |                                                |            |               |            |
| <b>5</b> Dr: Cash                                                                                    |                                                |            | 26,000        |            |
| Cr: Short term investments                                                                           |                                                |            |               | 26,000     |
| Numerous cash equivalents have been incorrectly classified as short term investments.                |                                                |            |               |            |
| <b>6</b> Dr: General Fund Balance                                                                    |                                                |            | 4,909         |            |
| Cr: Earmarked General Fund Reserves                                                                  |                                                |            |               | 4,909      |
| Error due to a misclassification between reserves on the face of the Movement in Reserves Statement. |                                                |            |               |            |

## 4. SUMMARY OF MISSTATEMENTS (CONTINUED)

### Disclosure amendments

Our audit identified a number of presentational and disclosure errors which have been amended. Only those which are considered significant have been listed here:

- Statement of Responsibilities – omitted the requirement to reference to the Accounts and Audit Regulations 2015;
- Comprehensive Income and Expenditure Statement – incorrect disclosure of figures in 'transferred from NECA' section for 19/20 has led to numerous material changes between lines on the face of CIES;
- Movement in Reserves Statement – statement amended as figures omitted from 18/19 earmarked reserve and a footnote was not included to show that the 18/19 MIRS had been restated due to a presentational change;
- Cashflow Statement – numerous amendments have been made to the cashflow statement and supporting notes due to transactions not being split for JTC, being double counted or incorrectly calculated. In addition, NTCA omitted the new disclosure requirement for changes in liabilities arising from financing activities, including both changes arising from cash flows and non cash changes;
- Note 2 Expenditure and Funding Analysis – numerous amendments have been made to ensure note is consistent with the rest of the accounts. In addition, the corporate line was incorrectly aggregated as it is more than 10% of gross income in CIES;
- Note 3 Adjustments between Accounting Basis and Funding Basis Under Regulations – amendment has to been made to ensure internally consistent with the pension reserve;
- Note 6 Grant Income – due to a formula error, 18/19 figures have been omitted from the note;
- Note 10 Related Parties - numerous amendments have been made to the related party table due to an incomplete listing of transactions feeding into the table and incorrect split of transactions for devolution;
- Note 12 Financial Instruments – incorrect maturity date has been used in the fair value calculation of the LOBO's. The change in fair value calculation has also impacted the Nexus fair value. Loan debtors fair value level has also been amended as it was incorrect. Numerous issues were identified in the NECA audit that impacts the JTC for instance, the Nexus creditor has been incorrectly classified as non-financial liabilities instead of amortised cost. As part of the NTCA audit, numerous errors were identified for instance financial liabilities, current creditors, current investments and current debtors were not internally consistent with the balance sheet figures;
- Note 13 Financial Instruments – the market risk section of the note omitted a narrative regarding the impact of a 1% increase in interest rate. In the Liquidity risk section, current borrowings is not internally consistent with the balance sheet. In addition, credit risk figures have also been amended due to error in NTCA and JTC incorrect classification of cash equivalents as investments.
- Note 18 Private Finance Initiatives – contract payment should have disclosed the split between NTCA and NTCA. Also, the first line of the table should state 'payable in 20/21';
- Note 19 Defined Benefit Pension Schemes - a narrative should be included in the note to disclose information about the basis of estimation of the IAS 19 liabilities with reference to the McCloud/Sargeant Judgements. Both the single entity and Group pension note narrative has been updated to include Covid-19 material uncertainty wording for direct property valuations and pooled residential property funds;
- Note 20 Useable Reserves – this note was amended to ensure it was consistent with Movement in Reserves Statement and should include a footnote as presentation changed since 18/19 audited accounts;
- Note 22 Pension Reserve – figures included in this note are not consistent with Note 19 or the actuary report;
- Note 27 Accounting Standards issued but not yet adopted – omitted some of the suggested standards issued but not yet adopted per the CIPFA Bulletin; and
- Note 29 - Assumptions made about the Future and Other Major Sources of Estimation Uncertainty – was not internally consistent with Sensitivity Analysis figures in Note 19. In addition, Covid-19 wording has been updated to refer to pension material uncertainty mentioned above as well as including information about Covid-19's impact on Tyne Tunnel income and local authority funding.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money  
conclusion

Appendices



## 5. VALUE FOR MONEY CONCLUSION

### Our approach to Value for Money

We are required to form a conclusion as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making.
- Sustainable resource deployment.
- Working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

| Sub-criteria                    | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Arrangements in place? |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Informed decision making        | <p><b>Overview and Scrutiny Committee</b> - The responsibility for scrutinising the decisions of the Mayor and Cabinet is carried out by this Committee. The membership comprises of 3 representative members from each of the constituent councils (independent of NTCA's Cabinet). The Committee are entitled to call-in and scrutinise decisions taken either by the Cabinet or the Mayor. Scrutiny of the decisions of the Joint Transport Committee are dealt with by a separate joint overview and scrutiny committee established between NECA and NTCA.</p> <p><b>Audit &amp; Standard Committee</b> – This Committee is responsibility for fulfilling the audit and risk responsibilities and for dealing with matters relating to the Code of Conduct for Members of NTCA. The Committee comprises of 3 members from each constituent council and one independent person who is a co-opted member of the Committee. The audit and risk responsibilities of the Joint Transport Committee are dealt with by a separate joint audit committee established between NECA and NTCA.</p> <p>A calendar of committee meetings is available on NTCA's website to allow anyone to view upcoming meeting agendas.</p> <p>Risk management arrangements along with an up to date risk register are in place. A risk update is reported regularly to the Audit and Standards Committee to provide the necessary challenge.</p> <p>An annual governance statement is prepared, reviewed and approved before being included in the financial statements.</p> <p>No indicators of inappropriate governance arrangements have been identified.</p> | Yes                    |
| Sustainable resource deployment | <p>The 2019/20 revenue budget was approved by the Cabinet in February 2019. In February 2020, Cabinet approved NTCA's 20/21 budget alongside the Medium-Term Financial Strategy covering periods to 21/22. No funding gaps have been identified.</p> <p>A very experienced officer team is in place at NTCA, mainly through secondments from constituent authorities and has been built upon since 2018/19.</p> <p>Arrangements are in place for Cabinet to receive quarterly financial report to outline the current financial position of the Authority.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Yes                    |

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

| Sub-criteria                                  | Commentary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Arrangements in place? |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Working with partners and other third parties | <p>NTCA constitution (section 1.1) outlines the areas in which the Authority have developed relationships. These are in relation to:</p> <ul style="list-style-type: none"> <li>• economic development, skills, housing and regeneration. NTCA does not replace the three constituent councils, nor does it take away any of their statutory powers;</li> <li>• certain transport functions, these are dealt with through a joint transport committee made up of members from both NTCA and the North East Combined Authority (“NECA”) which comprises the areas of Durham, Gateshead, South Tyneside and Sunderland Councils. This ensures that the integrated transport arrangements across the North East region are maintained, this service is carried out by Nexus. In addition North East Metro Operations Limited (NEMOL) continues to operate and maintain the Tyne and Wear metro service on behalf of the joint transport committee.</li> </ul> <p>NTCA is committed to working with neighbouring local authorities, combined authorities and the Local Enterprise Partnership (LEP) in support of common objectives. The LEP covers the areas of both combined authorities, i.e. NTCA and NECA, and therefore it encompasses the area of the seven local authorities in the North East region. Effective engagement between NTCA, the LEP and the wider business community is critical to delivering the ambitions for the area. The LEP arrangements have delivered a significant number of development and growth projects which have begun to transform the North East area and provide an effective framework to manage and commission the multi-million-pound investment programmes designed to improve and support the North East’s economy. The seven authorities will continue to work closely with and through the LEP in delivery of the Strategic Economic Plan.</p> <p>The bodies outlined above already have long standing partnerships with NECA and these have been passed to NTCA through the devolution. An internal control deficiency has been raised (see page 10) with regards to NTCA publishing a partnership register on their website.</p> <p>NTCA has Service Level Agreements (SLAs) in place with Newcastle City Council, North Tyneside Council and Northumberland County Council. The aim of SLAs is to summarise the nature of the services provided and the charges associated with the services, together with the performance management process which outlines service standards etc. A service concession exists in relation to the Tyne Tunnel. This is subject to a detailed 30 year agreement with the operator TT2 which was introduced in 2008.</p> | Yes                    |

### Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified a significant Value for Money risk.

### Our overall Value for Money conclusion

Our draft auditor’s report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.



# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mr Cameron Waddell  
Partner  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham DH1 5TS

Date: X November 2020

### North of Tyne Combined Authority (NTCA) and Group -audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of NTCA and Group for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

#### My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

#### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from me for the purpose of the audit; and
- unrestricted access to individuals within NTCA and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### Accounting records

I confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all NTCA and Committee meetings, have been made available to you.

#### Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider them appropriate for the year.

#### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money  
conclusion

Appendices

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against NTCA and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

NTCA and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting NTCA and Group involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting NTCA and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances (including sales, purchases, loans, transfers, leasing arrangements and guarantees) have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of NTCA and Group's related parties and all related party relationships and transactions of which I am aware.

### Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

### Charges on assets

All NTCA and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

### **Future commitments**

We have no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### **Going concern**

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Authority, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that NTCA and Group will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

### **Devolution**

I confirm that the asset/liability split between NTCA and the North East Combined Authority has been carried out in line with The Order and on the most appropriate basis.

### **Unadjusted misstatements**

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours sincerely

Chief Finance Officer

Date.....

# APPENDIX B

## DRAFT AUDITOR'S REPORT

To be inserted on completion of audit work.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money  
conclusion

Appendices

# APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Executive summary

Significant findings

Internal control  
recommendations

Summary of  
misstatements

Value for Money  
conclusion

Appendices

## CONTACT

Partner: Cameron Waddell

Phone: 0191 383 6300

Mobile: 0781 375 2053

Email: [cameron.waddell@mazars.co.uk](mailto:cameron.waddell@mazars.co.uk)

Senior Manager: Jim Dafter

Phone: 0191 383 6300

Mobile: 07815 876 042

Email: [jim.dafter@mazars.co.uk](mailto:jim.dafter@mazars.co.uk)





**Subject:** 2019/20 Annual Governance Statement

**Report of:** Risk Advisor to North of Tyne Combined Authority

**Portfolio:** All Portfolios

## Report Summary

The purpose of this report is to present the Authority's 2019/20 Annual Governance Statement to Cabinet for approval.

The 2019/20 Annual Governance Statement is provided at Appendix A.

## Recommendations

Cabinet is recommended to approve the Annual Governance Statement for inclusion in the Authority's 2019/20 annual accounts and recommend it for signature by the Mayor and Interim Head of Paid Service.

### 1. Background Information, Proposals and Timetable for Implementation

- 1.1 The Combined Authority has a statutory duty under the Accounts and Audit Regulations 2015 to do the following on an annual basis:
- Conduct a review of the effectiveness of its governance framework, including the system of internal control;
  - Prepare an Annual Governance Statement; and
  - Through a relevant committee review and approve the Annual Governance Statement
- 1.2 The Chartered Institute of Public Finance and Accountancy (CIPFAs) publication "Delivering Good Governance in Local Government" (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against:
- Ensuring openness and comprehensive stakeholder engagement
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
  - Determining the interventions necessary to optimise the achievement of the intended outcomes
  - Managing risks and performance through robust internal control and strong public financial management
  - Defining outcomes in terms of sustainable economic social and environmental benefits
  - Implementing good practices to transparency, reporting and audit to deliver effective accountability
- 1.3 The NTCA 2019/20 Annual Governance Statement fully complies with the CIPFA Framework and provides detailed evidence against each of the above principles to show how the Authority has adhered to its governance commitments as set out in the Constitution. The Statement includes hyperlinks to sources of further information detailed on the North of Tyne website, (for example the Authority's vision and its six pillars of ambition, our Freedom of Information Scheme and the Adult

Education Strategic Skills Plan), demonstrating how the Authority has implemented its commitments and complies with governance standards and principles.

- 1.4 Whilst not considered to be significant governance issues, the issues raised as part of the 2019/20 Audit Completion Report from external audit will be included in an improvement plan with an update of progress against the actions reported through to Cabinet in advance of the 2020/21 year end.
- 1.5 The 2019/20 Annual Governance Statement has been prepared as the Authority responds to the Coronavirus outbreak. The impact of the Coronavirus outbreak on our governance and internal control environment continues to be closely monitored and as part of our next annual review we will consider any lessons learnt during the period of the pandemic to further improve our governance and internal control arrangements.
- 1.6 The Audit and Standards Committee will consider the 2019/20 Annual Governance Statement (Appendix A) at its meeting on 17 November 2020, recommending it for inclusion in the Authority's 2019/20 annual accounts and for signature by the Mayor and Interim Head of Paid Service.

## **2. Potential Impact on Objectives**

- 2.1 No direct impact on objectives.

## **3. Key Risks**

- 3.1 There are no specific risk implications directly arising from this report. Risk management has been considered as part of the production of the 2019/20 Annual Governance Statement.

## **4. Financial and Other Resources Implications**

- 4.1 Production of the Annual Governance Statement has been carried out by Newcastle City Council's Risk Management Service under the Service Level Agreement for 2019/20.

## **5. Legal Implications**

- 5.1 There are no direct legal implications arising from this report.

## **6. Equalities Implications**

- 6.1 There are no direct equalities implications arising from this report.

## **7. Inclusive Economy Implications**

- 7.1 There are no direct inclusive economy implications arising from this report.

## **8. Climate Change Implications**

- 8.1 There are no direct climate change implications arising from this report.

## **9. Consultation and Engagement**

- 9.1 The Head of Paid Service, Monitoring Officer and Chief Finance Officer have been consulted on the 2019/20 Annual Governance Statement.

## **10. Appendices**

Appendix A – 2019/20 Annual Governance Statement

**11. Background Papers**

None.

**12. Contact Officers**

Philip Slater – Chief Internal Auditor, Newcastle City Council (acting as Risk Advisor for NTCA)

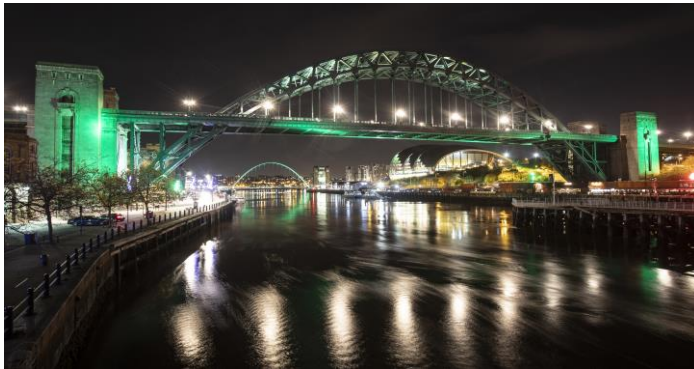
[Philip.slater@newcastle.gov.uk](mailto:Philip.slater@newcastle.gov.uk)

Telephone – 0191 2116511

**13. Glossary**

None

# ANNUAL GOVERNANCE STATEMENT 2019/20



## Annual Governance Statement 2019/20

|                   |                                                                        |
|-------------------|------------------------------------------------------------------------|
| <b>Section 1</b>  | Introduction                                                           |
| <b>Section 2</b>  | Scope of Responsibility                                                |
| <b>Section 3</b>  | The Purpose of the Governance Framework                                |
| <b>Section 4</b>  | The Governance Framework                                               |
| <b>Section 5</b>  | Annual Review of Effectiveness of Governance Framework                 |
| <b>Section 6</b>  | North East Joint Transport Committee and North East Combined Authority |
| <b>Section 7</b>  | Investment Fund Programme                                              |
| <b>Section 8</b>  | Significant Weaknesses in Governance and Internal Control              |
| <b>Section 9</b>  | Response to Coronavirus Pandemic                                       |
| <b>Section 10</b> | Conclusion                                                             |

### Section 1: Introduction

This Annual Governance Statement provides an overview of how the North of Tyne Mayoral Combined Authority's governance arrangements operate, including how they are reviewed annually to ensure they remain effective.

This Statement has been prepared during the outbreak of the Coronavirus and will be revisited and updated to reflect changes in the assurance model and the adequacy of the governance and internal control arrangements put in place during this period, and to assess any impact upon the internal control environment.

### Section 2: Scope Of Responsibility

NTCA was established on 2 November 2018 to give effect to a "minded to" devolution deal which was agreed between Newcastle, North Tyneside and Northumberland Councils, the North East Local Enterprise Partnership and Central Government. The devolution deal represents a significant shift of powers, funding and responsibility from central government to the local level. The deal enables the three councils to pursue through NTCA a shared ambition for an inclusive economy. NTCA does not replace the three constituent councils, nor does it take away any of their statutory powers.

Our vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensure that all residents have a stake in our region's future.

We will work with the North East Combined Authority (NECA) on a number of areas to support the region, including transport. To oversee strategic transport functions a North East Joint Transport Committee has been established with members from both Combined Authorities.

All seven Local Authorities are members of the North East Local Enterprise Partnership (North East LEP) to support delivery of the objectives of the regions Strategic Economic Plan, which is the North East's plan for growing and developing a more productive, inclusive and sustainable regional economy.

On 1 April 2020 accountable body functions for the North East LEP were transferred to NTCA from NECA. As the accountable body or 'Host Authority' NTCA will support the North East LEP manage its resources with all funding decisions being held to account through the NTCA.

NTCA is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Authority's Cabinet and Statutory Officers are responsible for putting in place proper arrangements (known as a Governance Framework) for:

- (i) the governance of our affairs and
- (ii) facilitating the effective exercise of our functions, including arrangements for the management of risk

In relation to (ii) the Authority has developed a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- a) identify and prioritise the risks to the achievement of our, aims and objectives; and
- b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Combined Authority has developed a Risk Management Strategy and Strategic Risk Register which is reported regularly at meetings of the Authority's Audit and Standards Committee. This information can be found under the [Audit and Standards Committee on the Authority's web-site](#).

### **Section 3: Purpose Of The Governance Framework**

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Chartered Institute of Public Finance and Accountancy (CIPFAs) publication "Delivering Good Governance in Local Government" (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against to consider the extent to which the Authority complies with the principles of good governance as set out in the Framework. This is reported through the Annual Governance Statement. It also enables us to monitor the

achievement of the Authority's priorities and to consider whether those priorities have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place for the year ended 31 March 2020 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (6) (1) to conduct a review of the effectiveness of the system of internal controls required by Regulation 3 and prepare an Annual Governance Statement.

## Section 4: The Governance Framework

The core principals and outcomes of our Governance Framework are set out below. This includes examples of how the Authority has adhered to its governance commitments set out in the Constitution and includes hyperlinks to sources of further information and through these we will aim to provide strong governance to achieve our objectives.

### 1. Ensuring openness and comprehensive stakeholder engagement

1.1 We are clear on delivering the objectives of the Combined Authority and intended outcomes of our [vision](#). Our six key pillars of ambition represent the most important groups, issues and goals that we will invest in to achieve a more prosperous and inclusive future.

1.2 The Elected Mayor chairs the Cabinet and Cabinet decisions will be subject to scrutiny by the Overview and Scrutiny Committee. The Elected Mayor has a number of specific powers and financial resources which Cabinet can make representations on and which can also be subject to scrutiny by the Overview and Scrutiny Committee.

1.3 Meetings, agendas and minutes are accessible via the [website](#). All meetings are held in public (other than where consideration of confidential or exempt information). However, during the ongoing and escalating situation regarding Coronavirus, Cabinet meetings and all other Committees were held virtually, in accordance with their usual timescales, and live streamed for the public to view.

1.4 We publish a register of key decisions to notify the public of the most significant decisions the Combined Authority is due to take. Details of each decision are included on the [Forward Plan](#) 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that NTCA is planning to take.

1.5 Our [Freedom of Information Scheme](#) is published on our [website](#).

1.6 Transport is of strategic importance to the North East and together with the North East Combined Authority a [North East Joint Transport Committee](#) has been established bringing together members from across the seven local authorities, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered.

1.7 The appointment of a Mayoral Ambassador for the Voluntary, Community and Social Enterprise Sector (VCSE) and supporting [Accord](#), (Agenda item 4), which sets out a framework for a new relationship between NTCA and the VCSE to deliver our shared vision of an inclusive economy.



1.8 The NTCA [Adult Education Strategic Skills Plan](#) sets out our long-term priorities for a devolved Adult Education Budget (AEB), highlighting the Authority's strengths, opportunities and challenges across the region to ensure it supports our [Economic Vision](#).

1.9 We have set up a dedicated [Coronavirus webpage](#) which provides support for our businesses and communities, providing the latest government advice and available support.

1.10 We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors.

## 2. Developing the entity's capacity, including the capability of its leadership and the individuals within it

2.1 We have defined and documented in our [Constitution](#) the roles and responsibilities of Cabinet, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Cabinet, Members and Officers have been agreed by the Combined Authority.

2.2 We identify and aim to address the development needs of members and senior officers through the annual appraisal process, in relation to their strategic roles, and support these with appropriate training.

2.3 Values and behavior's workshops have been delivered to all staff, with staff appraisals undertaken with agreed targets and objectives linked to NTCA's work programme.

2.4 During the Coronavirus pandemic national updates and latest Government guidance for staff, including working from home arrangements, were communicated via the Authority's webpage.

## 3. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

3.1 Our Constitution defines our standing orders, standing financial instructions, and scheme of delegation. These clearly define how decisions are taken and the processes and controls required to manage risks. We will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical. Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the Chief Finance Officer.

3.2 Codes of conduct are set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee will deal with issues of conduct and generally promote high standards among officers and members. The [Constitution](#) is available on the NTCA website.

3.3 We ensure that there are effective arrangements for "Whistle-blowing" and for receiving and investigating complaints from the public. Administration of the Authority's policies on anti-fraud and corruption is undertaken by Internal Audit. Whistleblowing policy and procedure is at Part 5.5 of our [Constitution](#)



3.4 A register of Members' interests (including gifts and hospitality) is also maintained.

3.5 A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area which outlines a framework for collaborative working across the region.

3.6 Our [Freedom of Information Scheme](#) is published on our website

3.7 On 2 June 2020 the Authority agreed policies relating to: Data Protection and Confidentiality; Environmental; Equalities and Diversity; Modern Slavery; and Social Value

3.8 NTCA has measures to address breaches of its legal and regulatory powers. The Authority's Monitoring Officer has statutory reporting duties in respect of lawful decision and maladministration.

3.9 We review and update our standing orders, standing financial instructions, scheme of delegation and support procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks.

A revised scheme of officer delegations was approved by Cabinet on 29 September 2020. The proposed scheme identifies a number of officers as "designated officers" who can exercise the delegated functions allocated to them in the scheme. These designated officers are the Head of Paid Service, Chief Finance Officer, and Monitoring Officer, Director of Economic Growth and Director of Policy and Performance, as well as the Chief Executive of the North East LEP (whose delegation relates to North East LEP matters only).

3.10 Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer. The Monitoring Officer is advised on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical.

3.11 The Authority appoints Statutory Officers who have the skills, resources and support necessary to ensure statutory and regulatory requirements are complied with.

#### 4. Determining the interventions necessary to optimise the achievement of the intended outcomes

4.1 Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our [Constitution](#) (Part 1.2) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.

4.2 A Cabinet Scrutiny Protocol (Agenda item 6) has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens.

Changes to the membership of Cabinet and Overview and Scrutiny Committee were approved by [Cabinet on 29 September 2020](#).

A [Scrutiny Annual Report](#) (Agenda item 7) was presented to Cabinet at its Annual Meeting in June 2020.

4.3 The Authority's procurement procedures are carried out in line with financial regulations set out in Part 4 of the Constitution.

4.4 The [Accounts](#) and [Transparency](#) pages of our website contains the most recent accounts of the Authority, including monthly spending reports.

## 5. Managing risks and performance through robust internal control and strong public financial management

5.1 Our Risk and Opportunity Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.

5.2 A Data Protection Officer has been appointed and is responsible for overseeing the Authority's [Data Protection and Confidentiality Strategy](#) and its implementation to ensure compliance with the General Data Protection Regulations.

5.3 The Authority regularly reviews policies relating to records management, data quality, data protection and information security.

5.4 All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continues during 2020/21.

5.5. The Audit and Standards Committee acts as principle advisory committee to NTCA, providing independent assurance on the adequacy of the risk management framework and internal control environment.

5.6 An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority's internal auditors. The Chief Internal Auditor will provide an annual opinion for 2019/20 to support this Annual Governance Statement.

5.7 A 2019/20 Strategic Audit Plan which was approved by Audit and Standards Committee, has been prepared to ensure Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Authority. [Progress against the 2019/20 Audit Plan was reported to Audit and Standards Committee at its July 2020 meeting \(pages 17-25\).](#)

A copy of the [Strategic Audit Plan for 2020/21](#) can be found on pages 31-37 of the July 2020 Audit and Standards Committee agenda.

5.8 The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for 2019/20 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.

## 6. Defining outcomes in terms of sustainable economic social and environmental benefits

6.1 The North East LEP works with its partners, which includes NTCA and NECA, to deliver the [Strategic Economic Plan](#) (SEP). The SEP was updated and published in February 2019. The Plan reflects on recent changes to the global and national economy as well as the UK's departure from the European Union. It also looks at how the North East can maximise opportunities around the [UK's Industrial Strategy](#).

6.2 [The Authority's vision and its six key pillars of ambition](#) (priorities) represent the most important groups, issues and goals we will invest in, in order to achieve a more prosperous and inclusive future.

6.3 To build on the engagement that is already happening across the North of Tyne region regarding climate change, Cabinet has approved the creation of a Citizens' Assembly to look at a specific set of issues relating to climate change that will produce actionable recommendations for the North of Tyne Combined Authority to consider.

6.4 NTCA has developed a programme to understand what 'Good Work' should look like in the North of Tyne and how NTCA can promote and reward employers that are offering the elements of 'Good Work'. This has included the development of a [Good Work Pledge](#) (Agenda item 6), which will enable employers to understand the key elements of 'Good Work' what they can do to achieve this for their employees and what support is available to help them get there.

6.5 We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.

6.6 Adult Education Budget provision will support key elements of the North East Strategic Economic Plan, and the emerging Local Industrial Strategy and play a key role in NTCA's economic growth and reform agenda.

6.7 To support businesses during the Coronavirus pandemic we have made funding of £5m available with additional grant funding of around £1.5m to support businesses during the Coronavirus crisis.

6.8 We will continue to engage with adult education providers working to respond to the Coronavirus pandemic looking for provision, which is responsive to the challenges the crisis brings, helping residents get on in work and life around the terms of Covid-19 recovery.

6.9 We have established a digital equipment loan scheme to support residents across the region giving them access to digital services and opportunities. Encouraging digital inclusion for everyone will help our residents' access new opportunities and in turn support our inclusive economy.

6.10 NTCA is a member of the North East Covid-19 Economic Response Group - launched to provide maximum support for businesses in the immediate term and to plan for long-term economic recovery.

## 7. Implementing good practices to transparency, reporting and audit to deliver effective accountability

7.1 We publish details of [delegated decisions on our website](#).

7.2 We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018.

7.3 The Assurance Framework explains the arrangements for NTCA to:

- Demonstrate that arrangements are in place to ensure accountable and transparent decision-making

- Appraise projects and allocate funding; and
- Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes

The Assurance Framework has been designed to meet the National Guidance for Single Pot Assurance Frameworks, issued by MHCLG for localities in receipt of a Single Pot as part of their Devolution Deals.

7.4 Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy of the effectiveness of our governance, risk and control framework.

7.5 Information on expenditure, performance and decision making is sited together on the Transparency page of the Authority's website and can be accessed quickly and easily.

## Section 5: Annual Review Of Effectiveness Of Governance Framework

We have a legal responsibility to conduct an annual review of the effectiveness of our governance framework, including the system of internal control. The review is led by Officers and Members of Audit and Standards Committee who provide independence and challenge.

The review is informed by:

- An assessment of the Authority's Constitution, including its committee structure.
- The views of Internal Audit. The Acting Chief Internal Auditor's [report to the July Audit and Standards Committee \(page 8\)](#) gives the following opinion on the adequacy and effectiveness of the framework of governance, risk management and control in place for the North of Tyne Combined Authority for 2019/20: *The opinion of the Acting Chief Internal Auditor is that the framework of governance, risk management and control is satisfactory overall, at this stage in the authority's development and given the range of responsibilities it is required to discharge. This is a positive assessment of the control environment of the organisation.*
- Assurance from Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written signed statements.
- The views of External Auditors. The external auditors Annual Audit Letter and Audit Completion Report provides an unqualified opinion on the financial statements. The report confirms that NTCA has proper arrangements in place to secure economy, efficiency and effectiveness, in its use of resources for the year ended 31 March 2020.
- Activity of the Audit and Standards Committee, including ethical governance
- Partnerships, including the North East Joint Transport Committee
- The Risk Management process, particularly the Strategic Risk Register

- (h) Performance information which is reported to Cabinet and other meetings on a regular basis.

## **Section 6: North East Joint Transport Committee and North East Combined Authority**

Regional transport is operated and governed by the North East Joint Transport Committee, bringing together the two Combined Authorities, which allows effective decision-making across the region to ensure that the local needs and transport priorities are delivered. The Committee receive regular updates on North East and Regional Transport Plans. The Committee also receive regular updates from the Managing Director, Transport North East, in respect of transport partnerships, including East Coast Mainline, HS2 and Northern Powerhouse Rail.

The Joint Transport Committee, Audit Committee is also a key component of the corporate governance arrangements and is an important source of assurance about the Joint Transport Committee's arrangements for managing risk, maintaining an effective control environment; and reporting on financial and performance matters.

The Joint Transport Committee also has an Overview and Scrutiny Committee to enable local councillors, on behalf of their communities, to scrutinise and challenge the Joint Transport Committee, its committees and Nexus, and to investigate matters of strategic importance to residents with a view to influencing and adding value to the decisions.

## **Section 7: Investment Fund Programme**

Delivery of the Investment Fund Programme continues to develop, with programmes being approved and individual projects being delivered. Work continues at pace to operationalise the headline key sector strategies agreed by Cabinet. There are an increasing number of NTCA projects moving into the delivery phase, including those with a focus on early jobs creation, supporting people into work, raising aspiration/STEM and tackling the digital divide. Strong sectoral narratives have been developed and the first of these programmes are now approaching delivery, with a key focus on longer-term growth, productivity and improving resilience. The impact of the COVID-19 pandemic has been considered in terms of project delivery, and in addition specific local interventions have been put in place to support the regional economy, through working closely with the constituent authorities.

Regular performance management of the Investment fund is now in place and continues to evolve. During the later part of 2019/20 and into 2020/21 the authority will conclude its investment in a programme management system that will improve the efficiency of managing and monitoring the overall programme and will streamline the interface with delivery organisations through an on-line portal for claims and output reporting.

## **Section 8: Significant Weaknesses In Governance and Internal Control**

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no significant weaknesses in governance or internal control during 2019/20.

## **Section 9: Response to Coronavirus Pandemic**

This Annual Governance Statement has been prepared as the Authority responds to the impact of the Coronavirus outbreak. NTCA and our constituent councils are working with our partner organisations across the region, including NECA and the North East LEP, to ensure a multi-agency approach to the pandemic as it evolves, supporting communities and businesses in the region.

The impact of the Coronavirus outbreak on our governance arrangements may not be fully known at this time and will therefore be closely monitored. The Statement will be revisited and updated to reflect changes in the assurance model and the adequacy of the governance and internal control arrangements put in place during this period to assess any impact upon the internal control environment.

The outcome of the review and any learning from the Authority's response will be reflected in an updated Statement before it is considered as part of the audit of the Council's financial statements which is expected at the end of November 2020.

## **Section 10: Conclusion**

We consider the governance and internal control environment operating during 2019/20, prior to the outbreak of the Coronavirus, to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

The annual review has shown that the arrangements for 2019/20 are in place and operating as planned.

We propose over the coming year to improve our governance and internal control arrangements and consider any lessons learnt during the period of the Coronavirus pandemic, as part of our next annual review.

**Mayor of the North of Tyne  
Combined Authority**

**Interim Head of Paid Service**

**Full Name: Jamie Driscoll**

**Full Name: Paul Hanson**

**Signature:**

**Signature:**

**Date:**

**Date:**





**Subject: NTCA Audited Statement of Accounts for the year ended 31 March 2020**

**Report of Chief Finance Officer**

**Portfolio: All**

### Report Summary

The purpose of this report is to present Cabinet with the Audited Statement of Accounts for the year ended 31 March 2020. The report covers the regulations under which the Statement of Accounts are prepared and details the items included within the Statement of Accounts including an update on the status of the Audit and the Audit Completion Report.

### Recommendations

The Cabinet is recommended to:

1. Approve the Audited Statement of Accounts 2019/20 including the Narrative Report in line with the Accounts and Audit Regulations 2015, taking account of the views of the Audit and Standards Committee;
2. Approve the Annual Governance Statement for signature by the Mayor and Interim Head of Paid Service

## 1. Background Information, Proposals and Timetable for Implementation

### 1.1 Statement of Accounts

The NTCA Statement of Accounts sets out the financial performance of the Authority for the year ending 31 March 2020 and its financial position at that date. They have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Accounts and Audit (Coronavirus) Amendment Regulations 2020 (SI 2020/404) extended the statutory deadline for completion and publication of draft Statement of Accounts from 31 May to on or before the 1 September 2020, with the audit deadline for all local and combined authorities from 31 July to November 30 2020, in line with these regulations NTCA are presenting the NTCA Statement of Accounts to Audit and Standards Committee on the 17 November 2020 for consideration and recommendation to the NTCA Cabinet on the 24<sup>th</sup> November 2020.

The Statement of Accounts includes:

- Audit Completion Report (tabled in a separate report)
- Annual Governance Statement (tabled in a separate report)
- Narrative Report (Appendix A to this report)
- Single Entity Accounts (Appendix B to this report)
- Group Accounts consolidating the accounts of Nexus Group within the NTCA single entity accounts (Appendix B to this report)

The NTCA Accounts reflect the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order), which established the North of Tyne Combined Authority (NTCA) on 2 November 2018. That order required the North East Combined Authority (NECA) and NTCA to appoint a Joint Transport Committee (JTC) through which the two combined authorities must exercise transport functions. The order also provided that the transport assets held by NECA should be held jointly with NTCA and managed through the JTC. The Constitution of the JTC is such that it meets the definition of Joint Control and is classified accordingly as a Joint Operation.

In order to comply with the requirements outlined above NECA as accountable body must split the revenue, expenditure, and assets and liabilities into those which relate to NTCA and NECA based on population.

The Accounts, on approval, must be signed by the Mayor on behalf of Cabinet and signed by the Chief Finance Officer on behalf of the Combined Authority at Cabinet and published on the website.

## **1.2 Annual Governance Statement**

The Combined Authority has a statutory duty under the Accounts and Audit Regulations 2015 to do the following on an annual basis:

- Conduct a review of the effectiveness of its governance framework, including the system of internal control;
- Prepare an Annual Governance Statement; and
- Through a relevant committee review and approve the Annual Governance Statement

The Audit and Standards Committee will consider the Annual Governance Statement at its meeting on 17 November 2020, and then subsequently reported to Cabinet on the 24 November 2020.



### **1.3 Audit Completion Report (ACR)**

Earlier on the agenda the External Auditors, Mazars, outlined their completion report providing their opinion in relation to the Financial Statements and Value for Money conclusion. At the time of writing this report the audit on the NTCA accounts is still not complete due to delays in the audit of the North East Combined Authority and Joint Transport Committee accounts. The auditors will provide an update on any findings since tabling their draft ACR.

The draft ACR set out a small number of recommendations in respect of improved controls including the need to improve the quality assurance process undertaken as part of the final accounts process. A plan is now in place to work with the 3 constituent authorities, NECA and Nexus to improve the quality assurance process, recognising that the North of Tyne finance team is small with limited opportunity for independent review and challenge of the draft accounts, and the opportunity to share knowledge and experience across the relevant finance teams.

An update will be provided to Cabinet on progress in implementing the actions from the ACR in the next Financial Management Report to Cabinet in January 2021.

## **2. Potential Impact on Objectives**

2.1 No direct impact on objectives.

## **3. Key Risks**

3.1 There are no specific risk implications directly arising from this report. Risk management has been considered as part of the production of the 2019/20 Annual Governance Statement.

## **4. Financial and Other Resources Implications**

4.1 The Statement of Accounts has been carried out by North Tyneside's Finance SLA to the North of Tyne Combined Authority.

## **5. Legal Implications**

5.1 The Statement of Accounts were completed in line with the Audit (Coronavirus) Amendment Regulations 2020 (SI 2020/404) and prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

## **6. Equalities Implications**

6.1 There are no direct equalities implications arising out of the recommendations in this report.

## **7. Inclusive Economy Implications**

7.1 There are no direct inclusive economy implications arising out of the recommendations in this report.

## **8. Climate Change Implications**

8.1 There are no direct climate change implications arising out of the recommendations in this report.

## **9. Consultation/Engagement**

9.1 The draft Statement of Accounts were published for public inspection on the NTCA website for the period from 13 August 2020 to 24 September 2020.

The Head of Paid Service, Monitoring Officer and Chief Finance Officer have been consulted on the 2019/20 Annual Governance Statement.

## **10. Appendices**

10.1 Appendix A Narrative Report

Appendix B Statement of Accounts for the year ended 31 March 2020.

## **11. Background Papers**

11.1 None

## **12. Contact Officers**

12.1 Janice Gillespie, Chief Finance Officer,

[Janice.gillespie@northoftyne-ca.gov.uk](mailto:Janice.gillespie@northoftyne-ca.gov.uk) 0191 645701

## **13. Glossary**

13.1 None

**NORTH  
OF TYNE**  
  
**COMBINED  
AUTHORITY**

**Narrative Report  
year ended 31 March 2020**

# Narrative Statement

## Introduction

The Narrative Report provides information about the North of Tyne Combined Authority (NTCA) and includes the key issues affecting the Combined Authority and its accounts. This report provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Authority's financial performance for 2019/20 and its future financial prospects.

The report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts.
- An overview of the activities and significant matters which have occurred during the year.
- A summary of the Combined Authority's financial performance during the year ending 31 March 2020.
- A look ahead to 2020/21 and beyond.
- Confidence in the Combined Authority's stewardship of public money and that it has been accounted for in an appropriate manner.

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. Prepared in accordance with the proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Combined Authority. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cashflow Statement

The purpose of each of the above statements is described at the end of this report and the actual statements are contained within the accompanying Statement of Accounts document, which also includes detailed notes providing further backup relating to specific amounts and balances.

The purpose of this Annual Financial Report is to collectively provide a comprehensive view of the Combined Authority's financial position during the period to which they relate together with details of the non-financial performance of the Authority during 2019/20. The format of the accounts reflect the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) which changed the boundaries of the former North East Combined Authority (NECA) on the 2<sup>nd</sup> November 2018 and established the North of Tyne Combined Authority (NTCA) as well as the North East Joint Transport Committee.

The report enables readers to focus on the key elements of the Statement of Accounts and contains the following sections:

- Annual Governance Statement;
- About North of Tyne Combined Authority;
- Key Facts about Governance Arrangements;
- Financial Performance of the Combined Authority 2019/20;
- Non-Financial Performance of the Combined Authority 2019/20;
- Significant Issues for 2020/21 and beyond;
- Explanation of Accounting Statements included within the Statement of Accounts;
- Implementation of the Devolution Order;
- Joint Transport Committee;
- Strategic Risks.

## **Annual Governance Statement**

The Combined Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Further information is available in the Annual Governance Statement which was presented to the Audit and Standards Committee on 28<sup>th</sup> July 2020. The Statement explains how the Authority has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015. The Statement can be found on the Authority's website: [Audit-and-Standards-Committee-Papers-2020](#)

## **About North of Tyne Combined Authority**

The North of Tyne Combined Authority (NTCA) was established on the 2 November 2018 as a new legal body led by an Elected Mayor. The new North of Tyne Combined Authority will manage a range of powers on housing, transport, infrastructure, skills and employment. Decisions will be made locally to benefit our local economy and the people who live, work, study and visit here.

NTCA's functions primarily relate to economic development, skills, housing and regeneration. NTCA will be responsible for inclusive economic growth and regeneration in an area stretching from the River Tyne to the Scottish borders, bounded by the Pennines and the North Sea.

NTCA was established to give effect to a 'minded to' devolution deal which was agreed between the three councils, the North East Local Enterprise Partnership (North East LEP) and central government. At the same time the North of Tyne Combined Authority was established, the North East Joint Transport Committee (JTC) was created, which continues to exercise the Transport functions. The JTC brings together members from both NTCA and NECA, to allow effective decision making across the region and to ensure that the local needs and transport priorities are delivered. NECA has retained the Accountable Body role for Transport on behalf of the North East Joint Transport Committee. NTCA became the Accountable Body for the North East LEP as of 1<sup>st</sup> April 2020.

A Deed of Cooperation was made on the 4th July 2018 between the seven Constituent Authorities in the area that outlines a framework for collaborative working across the region.

The devolution deal represents a significant shift of powers, funding and responsibility from central government to the local level. The deal enables the three councils to pursue, through NTCA, a shared ambition for an inclusive economy. NTCA does not replace the three constituent councils, nor does it take away any of their statutory powers.

Key facts about NTCA include:

- North of Tyne describes the area covered by North Tyneside, Newcastle and Northumberland.
- It begins at the most southerly boundary of Newcastle and continues north to the border with Scotland, and spans from the North Sea on the east coast to the border with Cumbria in the west.
- The area has a population of 833,200, a local economy of £18.863million, over 370,000 jobs and it is home to 24,660 businesses.
- The North of Tyne is filled with stunning natural landscapes, great people and has a strong track record of creating jobs and supporting world-leading businesses.
- The bulk of expenditure is funded through devolved funding secured through the devolution deal, in conjunction with contributions from the three constituent authorities.

## The Potential of North of Tyne

The Combined Authority has the potential to deliver many benefits to the region, namely:



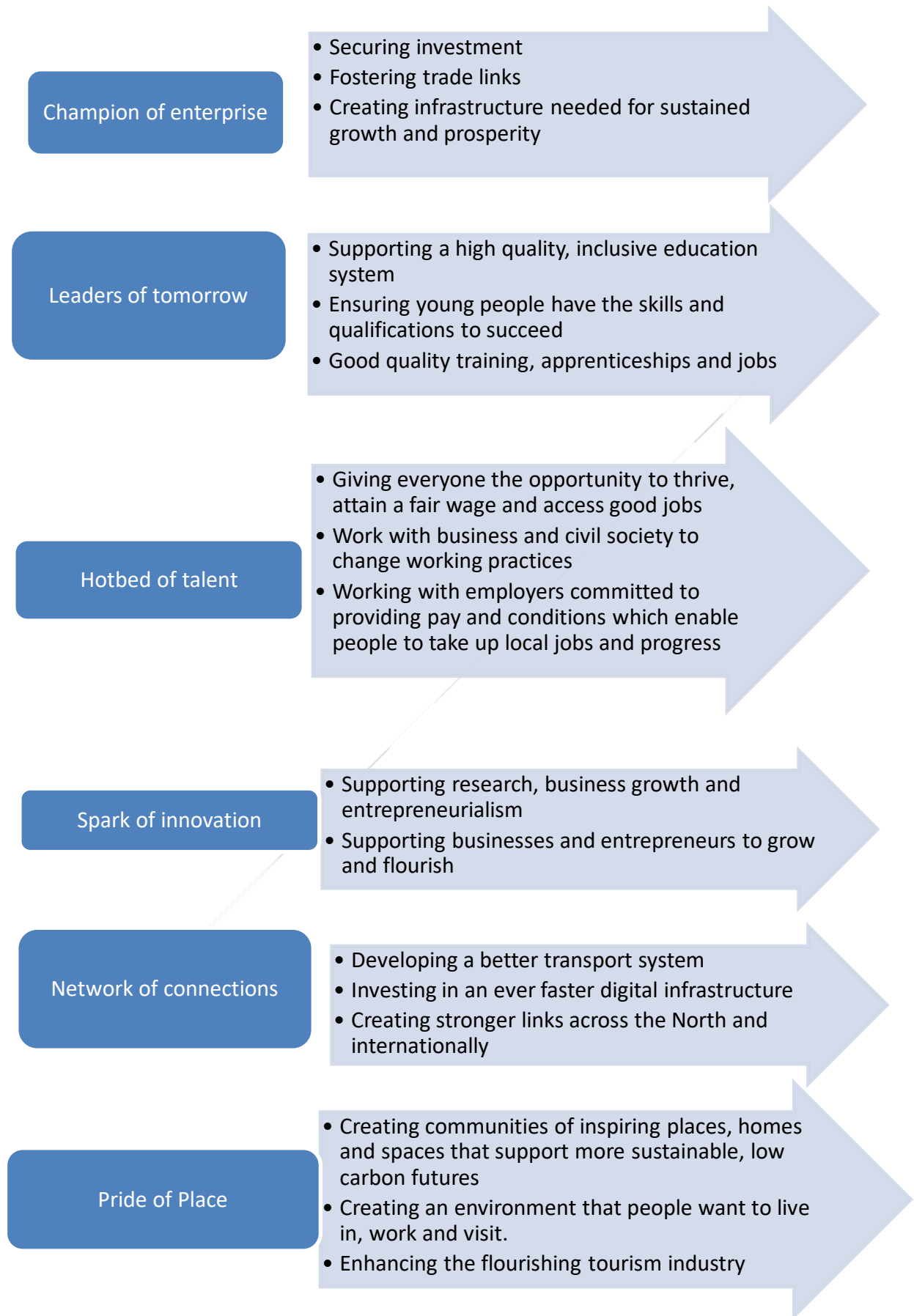
---

## **North of Tyne's Vision**

The future focus is on positive change. The aim is to quickly and decisively make a real and positive impact on people's lives, businesses and communities.

The vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in the region's future.

The North of Tyne's Economic Vision is made up of six key pillars which represent the most important groups, issues and goals that are needed to be invested in and nurtured in order to achieve a more prosperous and inclusive future. Success for the Authority will mean:





## Key Facts about Governance Arrangements

NTCA is a mayoral combined authority. It has a range of functions some of which are identified as being Mayoral Functions. Decisions on these functions must be made by the Mayor. Decisions on all other functions must be taken by the Mayor and representatives of the constituent councils acting together as the Cabinet. All details of Governance arrangements pertaining to NTCA can be found within our Constitution which is available on our website:

### [NTCA Order and Constitution](#)

The first mayoral election was held on 2 May 2019. Jamie Driscoll was elected as the Mayor for the North of Tyne Combined Authority. The Elected Mayor chairs the Cabinet and has a number of specific powers and financial resources. Decisions by the Elected Mayor will be subject to scrutiny by the Overview and Scrutiny Committee and Cabinet.

### Management Structure

Chief Officers of NTCA consist of, the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer. These officers are employees from the three local authorities within the North of Tyne. Two other designated posts, Director of Policy & Performance and Director of Economic Growth were appointed to during 2019/20.

The Combined Authority has grown to 34 employees during 2019/20 with support services being provided under Service Level Agreements with the three constituent North of Tyne authorities.

## Financial Performance of the Combined Authority 2019/20

The financial position of the NTCA as at 31 March 2020 is shown in the table 1 below.

**Table 1: 2019/20 Budget Outturn**

| Summary Outturn<br>2019/20 | 2019/20<br>Budget   | 2019/20<br>Outturn  | Variance           |
|----------------------------|---------------------|---------------------|--------------------|
|                            | £                   | £                   | £                  |
| Investment Fund Budget     | (15,625,000)        | (16,803,585)        | (1,178,585)        |
| Corporate Budget           | (0)                 | (285,000)           | (285,000)          |
| <b>Total</b>               | <b>(15,625,000)</b> | <b>(17,088,585)</b> | <b>(1,463,585)</b> |

## Corporate Budget Outturn

A more detailed outturn for 2019/20 Corporate Budget is set out below in Table 2.

**Table 2: Corporate Budget Outturn**

| Corporate Budget 2019/20                             | 2019/20 Budget      | 2019/20 Outturn     | Variance           |
|------------------------------------------------------|---------------------|---------------------|--------------------|
| Expenditure                                          | £                   | £                   | £                  |
| Staffing / Secondments                               | 1,772,345           | 1,646,939           | (125,406)          |
| Miscellaneous Expenditure (including Election costs) | 1,399,000           | 1,445,772           | 46,772             |
| Advisors External                                    | 305,000             | 341,574             | 36,574             |
| SLA with Constituent Authorities                     | 197,270             | 287,015             | 89,745             |
| JTC Levy                                             | 33,167,870          | 33,167,870          | 0                  |
| <b>Total Expenditure</b>                             | <b>36,841,485</b>   | <b>36,889,170</b>   | <b>47,685</b>      |
|                                                      |                     |                     |                    |
| Income                                               |                     |                     |                    |
| Contributions from the Constituent Authorities       | (120,000)           | (111,000)           | 9,000              |
| Mayoral Capacity Fund                                | (1,000,000)         | (1,000,000)         | 0                  |
| Investment Fund                                      | (2,400,000)         | (2,400,000)         | 0                  |
| IF Workstream Development Support                    | 0                   | (61,234)            | (61,234)           |
| AEB Implementation Funding                           | (153,615)           | (381,891)           | (228,276)          |
| JTC Levy                                             | (33,167,870)        | (33,167,870)        | 0                  |
| EU Exit Grant                                        | 0                   | (181,818)           | (181,818)          |
| Business Rates Pilot 2019/20                         | 0                   | (4,909,292)         | (4,909,292)        |
| ERDF Grant Income                                    | 0                   | (23,375)            | (23,375)           |
| Interest Receivable                                  | 0                   | (225,800)           | (225,800)          |
| Miscellaneous Income                                 | 0                   | (3,000)             | (3,000)            |
| <b>Total Income</b>                                  | <b>(36,841,485)</b> | <b>(42,465,280)</b> | <b>(5,623,795)</b> |
|                                                      |                     |                     |                    |
| <b>Net Income/Expenditure</b>                        | <b>0</b>            | <b>(5,576,110)</b>  | <b>(5,576,110)</b> |
| Preparing to Exit EU Reserve                         |                     | 181,818             | 181,818            |
| Business Rates Pilot 2019-20                         |                     | 4,909,292           | 4,909,292          |
| Commitment to future sector commissioning work       |                     | 200,000             | 200,000            |
| <b>2019/20 Outturn/Transfer to General Reserve</b>   | <b>0</b>            | <b>(285,000)</b>    | <b>(285,000)</b>   |

## Investment Fund Outturn

Table 3 below sets out the detailed outturn against the budget for the Investment Fund.

**Table 3 2019/20 Investment Fund Budget Outturn**

| Investment Fund 2019/20              | 2019/20 Budget      | 2019/20 Outturn     | Variance           |
|--------------------------------------|---------------------|---------------------|--------------------|
| <b>Expenditure</b>                   | £                   | £                   | £                  |
| Supporting Business Case Development | 750,000             | 61,234              | (688,766)          |
| Workstreams                          | 975,000             | 719,447             | (255,553)          |
| Technical Support                    | 250,000             | 15,735              | (234,265)          |
| Contribution to Corporate Costs      | 2,400,000           | 2,400,000           | 0                  |
| <b>Total Expenditure</b>             | <b>4,375,000</b>    | <b>3,196,416</b>    | <b>(1,178,584)</b> |
| <b>Income</b>                        |                     |                     |                    |
| Investment Fund                      | (20,000,000)        | (20,000,000)        | 0                  |
| <b>Net (Income) Expenditure</b>      | <b>(15,625,000)</b> | <b>(16,803,584)</b> | <b>(1,178,584)</b> |

In totality the Investment Fund has committed £27.840m against 34 projects, these projects will attract £99.510m of private sector leverage of which £57.000m is forecast to come from the Inward Investment Fund, with a forecast to deliver 2,571 jobs.

**Table 4 Commitment against Investment Fund Thematic Area**

|                                        | Committed    | Allocation   | % Allocated |
|----------------------------------------|--------------|--------------|-------------|
|                                        | £m           | £m           |             |
| Business                               | 12.06        | 38.00        | 32%         |
| People                                 | 7.23         | 16.30        | 44%         |
| Place                                  | 2.22         | 13.70        | 16%         |
| Major Strategic Economic Opportunities | 5.19         | 17.50        | 30%         |
| Business Case Development Fund         | 1.14         | 4.50         | 25%         |
|                                        | <b>27.84</b> | <b>90.00</b> | <b>31%</b>  |

Delivery against the Investment Fund Programme has been delayed in part due to the impact of the Covid-19 Pandemic impacting at the end of the financial year. This remains the highest programme risk, with pressure on resources as activity both on developing pipeline and contract management increases.

## Reserves Statement

Reserves held at 31 March 2020 are set out in Table 5 overleaf:

**Table 5 2019/20 Outturn Reserves Statement**

| <b>Reserves Statement</b>               | <b>2019/20</b>    |
|-----------------------------------------|-------------------|
|                                         | <b>£</b>          |
| Homeless Veteran Grant Reserve          | 90,909            |
| Preparing to Exit Europe Grant          | 271,909           |
| Business Rates Pilot 2019/20            | 4,909,292         |
| Strategic Reserve                       | 200,000           |
| Investment Fund Reserves                | 36,839,162        |
| <b>Total General (Useable) Reserves</b> | <b>42,311,272</b> |
| Pension Reserve                         | 285,000           |

Reserves have increased by £22.379m during the year 2019/20, being the uncommitted portion of the 2019/20 Devolution Grant monies (£17.289m) including the in-year outturn surplus (£0.285m), additional Preparing to Exit Grant monies received in year of (£0.181m). A new earmarked reserve has been set up of (£4.909m) in relation to the Business Rates Pilot undertaken in 2019-20, this includes Business Rates Pool monies from the three constituent authorities, figures in relation to this will be finalised post audit in July 2020 and proposals will be brought forward to Cabinet in due course.

In relation to the Homeless Veteran Grant received in 2018/19, all reporting requirements have been suspended by MHCLG. The project has not had any movement since the start of the year owing to Covid-19 work on homelessness by the three constituent authorities. The EU exit grant will be drawn down during 2020/21 in match with the North East Combined Authority's EU exit grant to fund Brexit work across the Region.

The budget for 2019/20 was agreed at the Cabinet meeting of March 12, 2019. Details of which can be found on the Authority's website link below or visit [northoftyne-ca.gov.uk/Transparency/Cabinet/Cabinet Committee Papers](http://northoftyne-ca.gov.uk/Transparency/Cabinet/Cabinet%20Committee%20Papers):

[Cabinet Report March 12, 2019 - 2019-2022 Financial Plan and Budget](#)

### **Borrowing Facilities**

Section 3 of the Local Government Act 2003 requires the Combined Authority to determine its own affordable borrowing requirement necessary to fund capital expenditure. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

## **Main points from Financial Statements**

### **Comprehensive Income & Expenditure Statement**

The Continuing Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the North of Tyne Combined Authority, and also includes the share of the costs contained within the North East Combined Authority (as relating to the Joint Transport Committee), in the direct provision of Services (Page 5 within the Statement of Accounts). The figure for 2019/20 shows a deficit of £17.851m. However, overall the Comprehensive Income & Expenditure Statement is showing a surplus of (£28.563m) for the year ended 31 March 2020.

### **Balance Sheet**

The Balance Sheet is set out on page 6 within the Statement of Accounts. The net assets of the Combined Authority are £108.487m for the year ended 31 March 2020 and are financed by Useable Reserves of £67.417m and Unusable Reserves of £41.070m. More details of the reserves contained on the Balance Sheet are shown in Notes 20 and 22. The Balance Sheet also includes the Authority's share of assets and liabilities contained within the North East Combined Authority in relation to the Joint Transport Committee

### **Group Results**

The Group Accounts included as part of the Statement of Accounts fully incorporate the results from Nexus (The Tyne and Wear Passenger Transport Executive). More details can be found in Group Note 1 on page 70.

During the year Nexus invested £53.9m of capital expenditure in public transport in Tyne and Wear which was funded primarily by central government grants.

The liquidity of Nexus remained strong with net current assets of £69.2m, adequate to cover both short-term fluctuations and future commitments from useable reserves.

The Nexus accounts are divided between NTCA and NECA accounts (after elimination of intra-group transactions), with the balance sheet information at 31 March 2020 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population – 55.723% in the NECA accounts and 44.277% in the NTCA accounts.

### **Non-Financial Performance of the Authority**

The Investment Fund Programme continues to grow significantly as projects progress through the pipeline. With exciting funding proposals coming forward for consideration,

around innovation and supporting our key sectors. Work continues at pace to operationalise the headline sector strategies agreed by Cabinet. In addition, we are seeing an increasing number of NTCA projects, including those with a focus on early jobs creation, supporting people into work, raising aspiration/STEM and tackling the digital divide. Strong sectoral narratives have been developed and the first of these projects are now being brought through - with a key focus on longer-term growth, productivity and improving resilience.

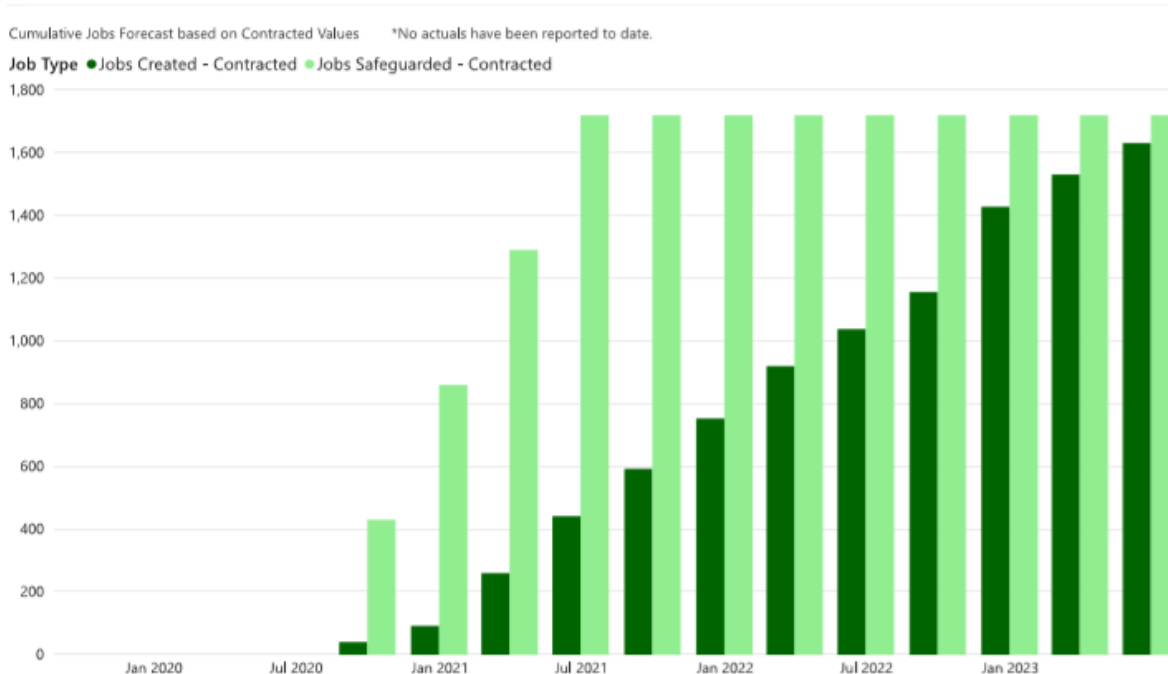
The three constituent Authorities have launched their NTCA-funded Covid-response support to individuals, businesses and third sector and in addition NTCA are working up a further wave of national Covid-response, including: Jobs bonus, Kickstart employment scheme, wage subsidies for apprenticeships, 'shovel-ready' stimulus for the construction sector, vouchers for retrofit, and crisis funding for Cultural, Arts and Heritage Organisations.

To date the Combined Authority has achieved:

A commitment of £27.82m against 34 projects and programmes

- Defrayal of £0.796m expenditure
- These projects will attract £99.51m of private sector leverage and are forecast to deliver 2571 jobs and 1,720 jobs safeguarded

The below bar chart shows the cumulative jobs forecast based on contracted values.



Early investment priorities included:

- Inspiring the development of STEM and digital skills in young people;

- Help residents into work – Returnship Project;
- Attracting new business to the North of Tyne; and,
- Enhancing rural business growth

In addition, Cabinet identified projects for early business case development funding, which include:

- Local fibre network;
- North Shields town centre redevelopment/Fish Quay;
- Energy central learning hub Blyth;
- Targeted employment support for areas of Newcastle with the highest unemployment levels; and
- The Northumberland, Newcastle and North of Tyne rail line

These proposed projects are now in development and progressing at pace.

### **Significant issues relating to 2020/21 and beyond**

As the Combined Authority was only established in November 2018, the budget for the financial year 2019/20 reflects a set up phase in which the organisation is both stabilising capacity to undertake its new responsibilities and beginning to deliver its priorities.

The Mayor and Cabinet continue to work with officers to maximise the opportunities of the three constituent authorities in order that they work together efficiently and effectively with the North of Tyne Combined Authority. Some of this is already in place through the development of the Service Level Agreements for support services. Other opportunities exist around the consideration of how best the Procurement Strategies across the constituent authorities can support the ambition and delivery of the Vision for North of Tyne.

In order to deliver the Authority's priorities and vision the social factors such as a consistently higher unemployment rate than the national average, a lower productivity than the national wage and social inequality with pockets of deprivation affecting the area will need to be considered.

The financial environment for local government is likely to remain challenging for the foreseeable future. The impact of Covid-19, uncertainties arising from Brexit and the delay in the publication of both the Comprehensive Spending Review and the outcomes of the Fair Funding Review mean the outlook continues to be extremely uncertain.

The North East LEP has been leading a 'Covid-19 Economic Response Group' made up of NTCA, NECA, local authorities, the Confederation of British Industry (CBI) on behalf of business, North East JTC and regional universities. NTCA will work with the LEP and other partners on the Covid-19 recovery. Data and intelligence about the economic impact of the pandemic is being gathered, which will be used to help shape the recovery plan that is being developed. The plan will need considerable financial support from Government and active support from public and private sector partners across the region, including the two combined authorities and the local authorities across the North East Region. Further rounds of LGF/Future prosperity/Economic Recovery funding will be required to support the capital investment and revenue support that is needed to help the region's economy to recover and grow. A summary report published in June 2020 references the completion of the regional Transport Plan and that setting down our transport infrastructure priorities of the future is an essential part of the regional recovery.

During 2020/21 the North East Transport Strategy Unit (TSU) will launch and consult on the Transport Plan for the region. In November 2019 a vision of "Moving to a green, healthy, dynamic and thriving North East" was agreed alongside some accompanying principles and objectives, which will underpin the Transport Plan.

In March 2020, the JTC was notified that it had been awarded £198.483m funding from Transforming Cities Fund Tranche 2 following the submission of a bid earlier in the year. This will deliver the £95m Metro Flow project sponsored by Nexus as well as providing a devolved pot to fund a range of Transport projects across the region. The TSU will coordinate the programme, which will be delivered over the period 2020/21 to 2022/23.

An initial bid to the Emergency Active Travel Fund in June 2020 was also successful and grant funding of £2.262m will be available for schemes to encourage walking and cycling during the Covid-19 lockdown and recovery period. A larger Fund will be available to bid into during the summer and the submission will be coordinated by the TSU.

Work is underway in developing the 'Tyne Pass' project to introduce a fully automated payment system using Automatic Number Plate Recognition (ANPR) technology at the Tyne Tunnels, to replace the existing coin and permit systems.

The cross-partner North East Brexit Group continues to meet and provides a forum for sharing intelligence across sectors. This information and intelligence has informed action such as the Brexit Toolkit on the Growth Hub, as well as the Work Programme.



The focus of the group is now on opportunities post-Brexit and preparations in the light of potential trade deals with the EU and other nations/trading areas.

Activity continues to develop a proposal to government on the additional resources, powers and legislation needed to support the region.

## **Explanation of Accounting Statements included within the Accounts**

The Accounts and Audit Regulations 2015 require the Authority to produce a Statement of Accounts for each financial year. These statements contain a number of different elements and are required to be prepared under the Code of Practice.

The Statement of Accounts is set out in the accompanying document, and are explained below:

### Core Financial Statements

The Comprehensive Income & Expenditure Statement (CIES) (page 5) summarises the revenue costs of providing all services and the income and resources received in financing the expenditure.

The Movement in Reserves Statement (MIRS) (page 4) shows the movement from the start of the year to the end on the different reserves held by the Authority. This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The surplus or deficit on the provision of services line shows the economic cost in accounting terms of providing NTCA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

The Balance Sheet (page 6) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable as described above. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and

reserves that hold timing differences shown in the MiRS line “adjustments between accounting basis and funding basis under regulations”.

The Cash Flow Statement (page 7) shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

### Notes to the Accounts

The notes aim to assist in the understanding of the Statement of the Accounts. They are fundamentally important in the presentation of a true and fair view. They provide information on the basis of the preparation of the financial statements and disclose information not presented directly in the key financial statements which is relevant to the understanding of the information contained elsewhere within the Statement of Accounts.

### Group Accounts and Associated Notes

The Authority is required by the Code to produce Group Accounts to include services paid to Council Taxpayers in the North of Tyne area by organisations other than the Authority itself in which the Authority has an interest.

It is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Authority and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

These statements and accounts collectively provide a comprehensive view of the Authority’s financial position during the period to which they relate. The format of the accounts reflect the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) which changed the boundaries of NECA on the 2nd November 2018. As a result of these governance changes, the boundaries of NECA now cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland. On the same date, the North of Tyne Combined Authority (NTCA) was established as well as the

North East Joint Transport Committee (JTC), which continue to exercise the Transport functions over the area covered by the two Combined Authorities.

### **Implementation of the Devolution order.**

Under the CIPFA Code, the JTC meets the definition of a 'joint operation', which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues and expenses held or incurred jointly in their own single entity financial statements. In order to comply with the CIPFA Code, NECA must:

1. Split the revenues between that which relates to NECA and NTCA. In this case the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).
2. The revenues which relate to Tyne and Wear must then be divided into that which relates wholly to Newcastle and/or North Tyneside (allocated to NTCA), that which relates wholly to Gateshead, South Tyneside and/or Sunderland (allocated to NECA) and that which relates to activities not wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area provides that "those costs and liabilities which are attributable to the exercise of functions exclusively in the area of the Tyne and Wear Authorities shall be shared between the Tyne and Wear Authorities on a per capita basis relating to their resident populations at that time." By similar rationale, the division of assets and expenditure incurred will also be divided on this basis.

### **Dividing Assets and Liabilities between NECA and NTCA in the accounts.**

The new Orders require the Transport assets of the North East Joint Transport Committee to be accounted for separately in the accounts and balance sheets of the two Combined Authorities. As the Transport Assets and Liabilities are related to

Tyne and Wear activities, the transport accounting balances at the 2<sup>nd</sup> November 2018 and at 31<sup>st</sup> March 2019 are divided between the two Combined Authorities on the basis of relative population for the year. For the 2018/19 accounts the mid-year estimated population published by the Office of National Statistics as at June 2017 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts for the year ended 31 March 2020 are shown below in Table 6.

**Table 6 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA**

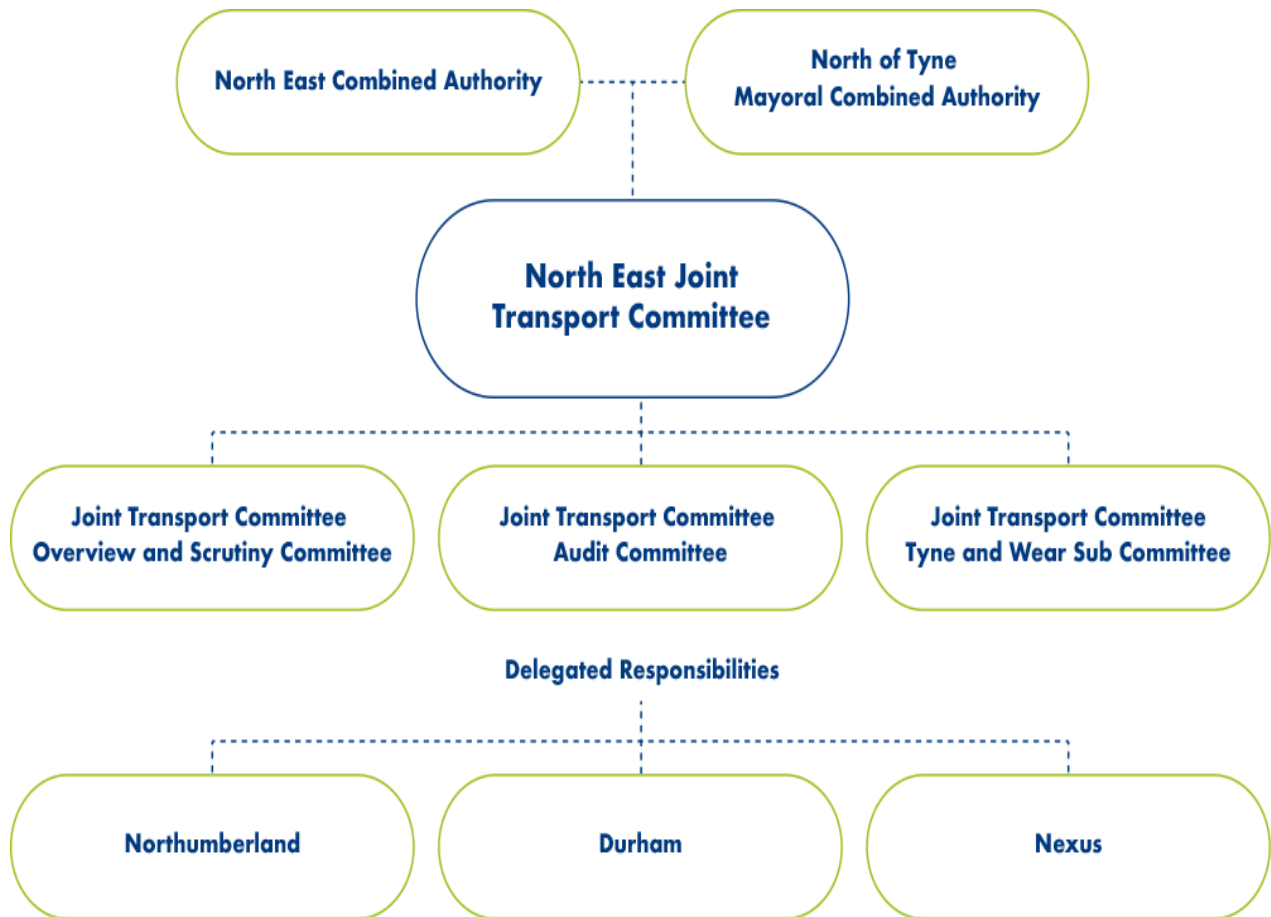
|                            | Mid-Year 2017<br>Population | Proportion |
|----------------------------|-----------------------------|------------|
|                            | People                      | Proportion |
| <b>NECA</b>                |                             |            |
| - Gateshead                | 202,419                     |            |
| - South Tyneside           | 149,555                     |            |
| - Sunderland               | 277,249                     |            |
|                            | <b>629,223</b>              | 0.55706    |
| <b>NTCA</b>                |                             |            |
| - Newcastle                | 295,842                     |            |
| - North Tyneside           | 204,473                     |            |
|                            | <b>500,315</b>              | 0.44294    |
|                            |                             |            |
| <b>Tyne and Wear Total</b> | <b>1,129,538</b>            | <b>1</b>   |

## The Joint Transport Committee

The North East Joint Transport Committee brings together a total of seven members from each of the Constituent Authorities of the region; four Members from the North East Combined Authority and three Members from the North of Tyne Combined Authority in accordance with the Order and was created on the 2nd November 2018.

Transport is of strategic importance to the North East, and the collaborative working of both Combined Authorities allows effective decision making across the region, which ensures that the local needs and priorities are delivered.

The structure for Transport that was established in November 2018 is shown in the diagram below.



**Transport**

Tyne Tunnels, although owned by NECA, the accounting balances are reflected in the NTCA financial statements as part of the JTC. The Tyne Tunnels link the A19 under the River Tyne between Howdon and Jarrow. There are two tolled vehicle tunnels, and tunnels for both pedestrians and cyclists. The Tunnels are entirely self-financing from the toll’s income raised, i.e. there is no call on the Authority’s budget or local taxpayers to support them, and assets and liabilities associated with the tunnels are ringfenced to the Tyne and Wear constituent councils within the Authority. The Tyne Pedestrian and Cyclist Tunnels reopened to the public in August 2019 and have been well received and well used.

The following table of Traffic flows shows a small increase in traffic in 2019/20 until the end of March when the impact of the Covid-19 pandemic took effect. The increase was seen in all classes of vehicle except Class 1.

**Table 7 – Tyne Tunnel Traffic Flow data**

|         | <b>Class 1</b> | <b>Class 2</b> | <b>Class 3</b> | <b>Exempt</b> | <b>Total</b> |
|---------|----------------|----------------|----------------|---------------|--------------|
| 2019/20 | 153,474        | 14,928,809     | 824,798        | 648,435       | 16,555,516   |
| 2018/19 | 171,626        | 14,839,928     | 823,469        | 631,444       | 16,466,467   |
| 2017/18 | 172,655        | 14,802,233     | 855,656        | 584,809       | 16,415,353   |
| 2016/17 | 197,688        | 15,705,319     | 951,785        | 605,670       | 17,460,462   |
| 2015/16 | 204,751        | 16,218,493     | 989,451        | 581,377       | 17,994,072   |
| 2014/15 | 195,798        | 15,265,379     | 873,270        | 508,444       | 16,842,891   |
| 2013/14 | 185,471        | 13,970,360     | 804,147        | 464,529       | 15,424,507   |

Class 1 = Motorcycles; Class 2 = Car, Van or Bus less than 3m high with 2 axles; Class 3 = HGV, Van or Bus more than 3m high or 3 axles or more; Exempt = emergency vehicles and blue badge holders

The tolls were increased in line with inflation on 13 May 2019 from £1.70 to £1.80 for class 2 vehicles without permits (now £1.62 with a pre-paid permit) and from £3.40 to £3.60 for class 3 vehicles (now £3.24 with a pre-paid permit).

### **Tyne and Wear Passenger Transport Executive – Nexus**

The North East Joint Transport Committee sets public transport policy for the region, which in Tyne and Wear is delivered operationally by Nexus. The following performance indicators describe the general performance of public transport in Tyne and Wear during 2019/20.

- The number of passenger journeys across Tyne and Wear was estimated at 154.5million; a 3.0% decline when compared to 159.3million in the previous year.
- Bus patronage reduced to 119.4 million in 2019/20; a 0.9% decline when compared to 120.4 million in the previous year.
- Metro patronage reduced to 33.1 million in 2019/20; a 9.2% decline when compared to 36.4 million in the previous year.
- Ferry patronage reduced to 352,900 passengers in 2019/20; a 19% decline when compared to 436,600 journeys in the previous year.
- Rail patronage increased to 1.68 million journeys in 2019/20; a 5.3% uplift when compared to 1.60 million journeys in the previous year.
- Metro reliability (operated mileage) was 95.7% during 2019/20, a decrease on the 97.9% achieved in the previous year.
- Metro reliability (Charter punctuality) was 80.8% during 2019/20, an increase on the 79.6% achieved in the previous year.

### Annual Governance Statement

To accompany the Narrative Report and Statement of Accounts, the leadership of the Authority prepares an Annual Governance Statement that sets out the principal

arrangements that operate to ensure proper governance of the Authority's affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

## **Strategic Risks**

### [Strategic risks of the NTCA are monitored by Audit and Standards Committee](#)

(agenda item 5). Lower level operational and project risks are managed at a project level. However, there are communication plans and escalation processes developed to ensure the biggest risks to individual programmes/projects are communicated and/or escalated to the strategic risk register.

A NTCA Staff Engagement Event was held in January 2019 where Officers were asked to identify the biggest threats and opportunities to the Combined Authority's aims and ambitions. This information along with comments from Members were used as the basis for identifying the biggest threats (risks) and potential opportunities.

## **Risk Title & Description**

### **1. Risk - Devolution**

#### **Delivery of Devolution**

Failure to deliver the Devolution agenda, and secure future negotiations with Government will restrict powers in future funding years.

#### **Response**

Activity on the Investment Fund Programme has increased significantly over recent months. Allocations to support key sectors, including clean growth, digital and culture and creative are progressing through the pipeline for consideration, with a commitment of £27.82m against 34 projects already achieved, which has attracted over £99.51m of private sector leverage.

Dialogue with NTCA adult education providers continues to ascertain the immediate impact of Covid-19 and their medium/long term mitigation strategies. Although it has already been recognised that income from other sources of funding is at risk for these providers and there is uncertainty about their financial resilience and longevity.

The North of Tyne Covid-19 Capacity Fund has pledged £5m to help businesses and communities respond to Covid-19, and work continues at pace on this.

## **2. Risk - Operational Capacity and Resources**

The Combined Authority is unable to demonstrate to Government and partners that it has the necessary capacity, skills and expertise to successfully deliver all projects and schemes, within the constraints of approved funding streams, timeframes, conditions and performance criteria.

### **Response**

A Covid-19 Contingency Plan is in place to support central government guidance, homeworking and officer deployment instructions. The Plan worked well and work is now underway on a return policy for the office and the 'new normal'.

Business Continuity Plan (BCP) – the formulation of a full BCP has begun with an information gathering exercise underway. Development has stalled due to the impact of Covid-19 with delays to the receipt of information sought from other organisations.

## **3. Opportunity - Partnerships**

The establishment of the Combined Authority provides us with an opportunity to strengthen the existing partnership arrangements in the region and across the public and private sector to drive forward change to meet our ambitions and successfully deliver the North East Strategic Economic Plan.

### **Response**

The NTCA, North East LEP, North East Combined Authority, Confederation of British Industry (CBI), and other partners in the region, are members of a North East Covid-19 Economic Response Group. The group has been launched to ensure the North East has strong and collaborative economic leadership, providing maximum support for businesses in the immediate term and to plan for long-term economic recovery following the Covid-19 outbreak.

The North East Combined Authority (NECA) was previously the accountable body for the North East LEP, however the role transferred to NTCA in April 2020. This has resulted in a new opportunity being added to the register to cover this position as follows:

“As the accountable body for the North East LEP there is greater opportunity to maximise partnership arrangements with NTCA through working together to coordinate and manage resources, embedding effective governance arrangements between the bodies, collectively responding to future opportunities and challenges.”



## NTCA Staffing

NTCA continues to develop to meet the requirements and delivery of the NTCA vision, while keeping costs to a minimum. The NTCA team grew to 34 employees during 2019/20, the first full year of operation, this included the appointment of two new Directors, Director of Economic Growth and Director of Policy and Performance. Many services are provided through Service Level Agreements with constituent local authorities.

**Table 8 – Change in Staffing numbers during 2019/20**

|         | <b>Total NTCA Employees at the year end</b> |
|---------|---------------------------------------------|
| 2019/20 | 34                                          |
| 2018/19 | 1                                           |

The Authority seeks to make the best possible use of resources available with regard to economy, efficiency and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. Our budget proposals for 2020/21, available on the NTCA website [Cabinet 28 January NTCA Budget Proposals 2020-2024](#) sets out how we will do this looking forward. The Statement of Accounts accompanying this report looks back at our performance since establishment. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

If you would like further information about these accounts, please contact Janice Gillespie, Chief Finance Officer, c/o North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

**Janice Gillespie**  
**Chief Finance Officer**  
**Date**

This page is intentionally left blank



**North of Tyne Combined Authority**  
**Statement of Accounts 2019/20**  
**Draft - Subject to Audit**

| <b>Contents</b>                                                        | <b>Page</b> |
|------------------------------------------------------------------------|-------------|
| <b>1.0 Statement of Responsibilities for the Statement of Accounts</b> |             |
| 1.1 The Authority's Responsibilities                                   | 3           |
| <b>2.0 Core Financial Statements and Explanatory Notes</b>             |             |
| 2.1 Movement in Reserves Statement                                     | 4           |
| 2.2 Comprehensive Income and Expenditure Statement                     | 5           |
| 2.3 Balance Sheet                                                      | 6           |
| 2.4 Cash Flow Statement                                                | 7           |
| 2.5 Explanatory Notes to the Core Financial Statements                 | 8-63        |
| <b>3.0 Group Financial Statements and Explanatory Notes</b>            |             |
| 3.1 Group Movement in Reserves Statement                               | 66          |
| 3.2 Group Comprehensive Income and Expenditure Statement               | 67          |
| 3.3 Group Balance Sheet                                                | 68          |
| 3.4 Group Cash Flow Statement                                          | 69          |
| 3.5 Explanatory Notes to the Group Financial Statements                | 70          |
| <b>4.0 Supplemental Information</b>                                    |             |
| 4.1 Glossary of Terms                                                  | 97          |
| 4.2 Independent Auditor's Report                                       | 103         |

## 1.0 Statement of Responsibilities for the Statement of Accounts

### 1.1 The Authority's Responsibilities

**The Authority is required:**

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

**The Chief Finance Officer's Responsibilities:**

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

**In preparing this Statement of Accounts, the Chief Finance Officer has:**

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

**The Chief Finance Officer has also:**

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

**Certification of the Accounts**

I hereby certify that the Statement of Accounts for the year ended 31 March 2020, required by the Accounts and Audit Regulations 2015 are set out in the following papers. I further certify that the Statement of Accounts give a true and fair view of the financial position of the Combined Authority and Group at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Signed:

Janice Gillespie, Chief Finance  
Officer

## 2.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The Total Comprehensive Income and Expenditure line shows the accounting cost of providing the Combined Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance. The net increase or decrease before transfers to earmarked reserves shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Combined Authority.

|                                                                        | Usable Reserves |                      |                                  |                          |                          |                       | Unusable Reserves | Total Authority Reserves |
|------------------------------------------------------------------------|-----------------|----------------------|----------------------------------|--------------------------|--------------------------|-----------------------|-------------------|--------------------------|
|                                                                        | Note            | General Fund Balance | Earmarked General Fund Reserves* | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves |                   |                          |
|                                                                        |                 | £000                 | £000                             | £000                     | £000                     | £000                  |                   |                          |
| <b>Transfer of Services from NECA at 2 November 2018</b>               |                 | (10,894)             | (5,513)                          | -                        | (544)                    | (16,951)              | (40,548)          | (57,499)                 |
| <b>Balance at 2 November 2018</b>                                      |                 | (10,894)             | (5,513)                          | -                        | (544)                    | (16,951)              | (40,548)          | (57,499)                 |
| Total Comprehensive Income and Expenditure                             |                 | (22,621)             | -                                | -                        | -                        | (22,621)              | -                 | (22,621)                 |
| Adjustments between accounting basis & funding basis under regulations | 3               | 3,939                | (1,526)                          | -                        | (3,623)                  | (1,210)               | 1,210             | -                        |
| Net (Increase)/Decrease before transfers to Earmarked Reserves         | 21              | (18,682)             | (1,526)                          | -                        | (3,623)                  | (23,831)              | 1,210             | (22,621)                 |
| Transfers (To)/From Earmarked Reserves                                 |                 | -                    | -                                | -                        | -                        | -                     | -                 | -                        |
| <b>(Increase)/Decrease in 2018/19</b>                                  |                 | (18,682)             | (1,526)                          | -                        | (3,623)                  | (23,831)              | 1,210             | (22,621)                 |
| <b>Balance at 31 March 2019 carried forward</b>                        | 2               | (29,576)             | (7,039)                          | -                        | (4,167)                  | (40,781)              | (39,338)          | (80,119)                 |
| Total Comprehensive Income and Expenditure                             |                 | (28,563)             | -                                | -                        | -                        | (28,563)              | 196               | (28,367)                 |
| Adjustments between accounting basis & funding basis under regulations | 3               | 3,611                | -                                | -                        | (1,683)                  | 1,928                 | (1,928)           | -                        |
| Net (Increase)/Decrease before transfers to Earmarked Reserves         | 21              | (24,952)             | -                                | -                        | (1,683)                  | (26,636)              | (1,732)           | (28,367)                 |
| Transfers (To)/From Earmarked Reserves                                 | 21              | 6,434                | (6,434)                          | -                        | -                        | -                     | -                 | -                        |
| <b>(Increase)/Decrease in 2019/20</b>                                  |                 | (18,518)             | (6,434)                          | -                        | (1,683)                  | (26,636)              | (1,732)           | (28,367)                 |
| <b>Balance at 31 March 2020 carried forward</b>                        | 2               | (48,094)             | (13,473)                         | -                        | (5,850)                  | (67,417)              | (41,070)          | (108,487)                |

\* The 2018/19 NTCA MIRS reflect the General Fund Balances and Earmarked Reserves combined, 2019/20 NTCA MIRS reflects the split of General Fund Balances and Earmarked Reserves with 2018/19 represented to show this split also.

## 2.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount charged to the General Fund which is set out in the Movement in Reserves Statement.

As part of the creation of NTCA it was stated that a Joint Transport Committee (JTC) must be appointed which is endowed with the powers of the Integrated Transport Authority which were previously endowed upon the North East Combined Authority as the seven Local Authorities (NECA). NECA was appointed as the accountable body for the JTC.

NECA as the accountable body must split revenue, expenditure, assets and liabilities into those which relate to NECA and NTCA. The accounts for the Combined Authority thereby include a split of all income and expenditure relating to Transport activity associated with the constituent authorities of North of Tyne from 2nd November 2018, in 2018/19 accounts and full year in 2019/20 accounts.

| 2018/19           |                 |                 |                                                         | Note | 2019/20           |                 |                 |
|-------------------|-----------------|-----------------|---------------------------------------------------------|------|-------------------|-----------------|-----------------|
| Gross Expenditure | Gross Income    | Net Expenditure |                                                         |      | Gross Expenditure | Gross Income    | Net Expenditure |
| £000              | £000            | £000            |                                                         |      | £000              | £000            | £000            |
|                   |                 |                 | <b>Continuing NTCA Services</b>                         | 1    |                   |                 |                 |
| 3                 | -               | 3               | Investment                                              |      | 735               | -               | 735             |
| 528               | (371)           | 157             | Corporate Costs                                         |      | 2,422             | (6,044)         | (3,622)         |
| -                 | -               | -               | Mayors Office                                           |      | 207               | -               | 207             |
| -                 | -               | -               | Elections                                               |      | 1,048             | (3)             | 1,045           |
| -                 | -               | -               | Adult Education Budget                                  |      | 136               | (382)           | (246)           |
| -                 | -               | -               | Transport - Northumberland                              |      | 6,094             | -               | 6,094           |
| -                 | -               | -               | Transport - Retained Levy Budget                        |      | 114               | -               | 114             |
| -                 | -               | -               | Transport - Tyne and Wear                               |      | 24,657            | -               | 24,657          |
| -                 | -               | -               | Transport - Other                                       |      | 9,336             | (10,821)        | (1,485)         |
| -                 | -               | -               | Transport - Tyne Tunnels                                |      | 11,331            | (14,884)        | (3,553)         |
| 531               | (371)           | 160             | <b>Cost of Services from Continuing Services</b>        |      | <b>56,080</b>     | <b>(32,134)</b> | <b>23,946</b>   |
|                   |                 |                 | <b>Services transferred from NECA</b>                   | 1    |                   |                 |                 |
| 2,561             | -               | 2,561           | Transport - Northumberland                              |      | -                 | -               | -               |
| 44                | -               | 44              | Transport - Retained Levy Budget                        |      | -                 | -               | -               |
| 9,538             | -               | 9,538           | Transport - Tyne and Wear                               |      | -                 | -               | -               |
| 5,148             | (8,786)         | (3,638)         | Transport - Other                                       |      | -                 | -               | -               |
| 6,993             | (4,989)         | 2,004           | Transport - Tyne Tunnels                                |      | -                 | -               | -               |
| <b>24,815</b>     | <b>(14,146)</b> | <b>10,669</b>   | <b>Cost of services</b>                                 |      | <b>56,080</b>     | <b>(32,134)</b> | <b>23,946</b>   |
|                   |                 |                 | <b>Financing and Investment Income and Expenditure:</b> | 4    |                   |                 |                 |
| -                 | (2)             | (2)             | - From continuing services                              |      | 3,289             | (1,080)         | 2,209           |
| 1,598             | (717)           | 881             | - Transferred from NECA                                 |      | -                 | -               | -               |
|                   |                 |                 | <b>Taxation and Non-Specific Grant Income:</b>          | 5    |                   |                 |                 |
| -                 | (20,091)        | (20,091)        | - From continuing services                              |      | -                 | (54,718)        | (54,718)        |
| -                 | (13,964)        | (13,964)        | - Transferred from NECA - Levy                          |      | -                 | -               | -               |
| -                 | (114)           | (114)           | - Capital Grants (non-specific)                         |      | -                 | -               | -               |
| <b>26,413</b>     | <b>(49,034)</b> | <b>(22,621)</b> | <b>(Surplus)/Deficit on Provision of Services</b>       |      | <b>59,369</b>     | <b>(87,931)</b> | <b>(28,563)</b> |
|                   |                 |                 | <b>Other Comprehensive Income and Expenditure</b>       |      |                   |                 |                 |
|                   |                 | -               | Re-measurement of the defined benefit liability         | 19   |                   |                 | 196             |
|                   |                 | <b>(22,621)</b> | <b>Total Comprehensive Income and Expenditure</b>       |      |                   |                 | <b>(28,367)</b> |

## 2.3 Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date, 31st March each year, of the assets and liabilities recognised by the Combined Authority. The Net Assets of the Authority (total assets less total liabilities) are matched by Reserves. Reserves are reported in two categories, Usable and Unusable. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulations".

| 31 March 2019<br>£000 |                               | Note | 31 March 2020<br>£000 |
|-----------------------|-------------------------------|------|-----------------------|
| 154,091               | Property, Plant and Equipment | 11   | 153,621               |
| 16,402                | Long Term Debtors             | 12   | 15,595                |
| <b>170,493</b>        | <b>Long Term Assets</b>       |      | <b>169,216</b>        |
| 27,720                | Short Term Investments        | 12   | 35,580                |
| 1,334                 | Short Term Debtors            | 14   | 6,532                 |
| 29,149                | Cash and Cash Equivalents     | 16   | 42,704                |
| <b>58,203</b>         | <b>Current Assets</b>         |      | <b>84,817</b>         |
| (1,024)               | Short Term Borrowing          | 12   | (1,032)               |
| (30,446)              | Short Term Creditors          | 17   | (27,606)              |
| (503)                 | Grants Receipts in Advance    | 6    | (427)                 |
| (2,255)               | Public Private Partnerships   | 18   | (2,256)               |
| (15)                  | Other Current Liabilities     |      | -                     |
| <b>(34,243)</b>       | <b>Current Liabilities</b>    |      | <b>(31,321)</b>       |
| (40,585)              | Public Private Partnerships   | 18   | (38,345)              |
| (73,648)              | Long Term Borrowing           | 12   | (75,595)              |
| (100)                 | Grants Receipts in Advance    | 6    |                       |
| -                     | Pension Liability             | 19   | (285)                 |
| <b>(114,333)</b>      | <b>Long Term Liabilities</b>  |      | <b>(114,225)</b>      |
| <b>80,120</b>         | <b>Net Assets</b>             |      | <b>108,487</b>        |
| (40,782)              | Usable Reserves               | 20   | (67,417)              |
| (39,338)              | Unusable Reserves             | 22   | (41,070)              |
| <b>(80,120)</b>       | <b>Total Reserves</b>         |      | <b>(108,487)</b>      |

### Chief Finance Officer Certificate

I certify that the accounts for the period ended 31 March 2020, required by the Accounts and Audit Regulations 2015, give a true and fair view of the financial position of the North of Tyne Combined Authority and its income and expenditure for the 31 March 2020.

Signed: Janice Gillespie, Chief Finance Officer Date:



## 2.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows from operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

| 2018/19<br>£000 |                                                                                                                                       | Note | 2019/20<br>£000 |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------|------|-----------------|
| 22,621          | Net Surplus/(Deficit) on the provision of services                                                                                    |      | 28,563          |
| 5,048           | Adjustments to net surplus or deficit on the provision of services for non-cash movements                                             | 24   | (7,587)         |
| (8,807)         | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 24   | (11,034)        |
| <b>18,862</b>   | <b>Net cash flows from Operating Activities</b>                                                                                       |      | <b>9,942</b>    |
| 197             | Investing Activities                                                                                                                  |      | 1,651           |
| (147)           | Financing Activities                                                                                                                  |      | 1,963           |
| <b>18,912</b>   | <b>Net (Decrease)/Increase in cash and cash equivalents</b>                                                                           |      | <b>13,555</b>   |
| 10237*          | Cash and cash equivalents at the beginning of the reporting period                                                                    | 16   | 29,149          |
| <b>29,149</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>                                                                   |      | <b>42,704</b>   |

\*This includes activities that are part of the services transferred from NECA and relates to the cash and cash equivalent position at the date of incorporation of the NTCA (2 November 2018).

## Index to the Notes to the Financial Statements

The values within the financial statements are disclosed with roundings which are appropriate to their individual presentation. Consequently, the tables in the Statement of Accounts may contain rounding differences.

| <b>Note</b> | <b>Title</b>                                                                                                                                   | <b>Page</b> |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 1           | Narrative Explanatory Note on Devolution                                                                                                       | 9           |
| 2           | Expenditure and Funding Analysis                                                                                                               | 10          |
| 2a          | Income and Expenditure Analysed by Nature                                                                                                      | 12          |
| 3           | Adjustments between Accounting Basis and Funding Basis under Regulations                                                                       | 13          |
| 4           | Financing and Investment Income and Expenditure                                                                                                | 14          |
| 5           | Taxation and Non-Specific Grant Income                                                                                                         | 14          |
| 6           | Grants and Contributions Income                                                                                                                | 15          |
| 7           | Members' Allowances and Expenses                                                                                                               | 16          |
| 8           | Officers' Remuneration                                                                                                                         | 16          |
| 9           | External Audit Costs                                                                                                                           | 18          |
| 10          | Related Parties                                                                                                                                | 19          |
| 11          | Property, Plant and Equipment                                                                                                                  | 21          |
| 12          | Financial Instruments                                                                                                                          | 23          |
| 13          | Nature and Extent of Risks arising from Financial Instruments                                                                                  | 26          |
| 14          | Short Term Debtors                                                                                                                             | 29          |
| 15          | Long Term Debtors                                                                                                                              | 29          |
| 16          | Cash and Cash Equivalents                                                                                                                      | 29          |
| 17          | Short Term Creditors                                                                                                                           | 29          |
| 18          | Private Finance Initiatives and Similar Contracts                                                                                              | 30          |
| 19          | Defined Benefit Pension Schemes                                                                                                                | 31          |
| 20          | Usable Reserves                                                                                                                                | 36          |
| 21          | Transfers (to)/From Earmarked Reserves                                                                                                         | 36          |
| 22          | Unusable Reserves                                                                                                                              | 38          |
| 23          | Capital Expenditure and Capital Financing                                                                                                      | 41          |
| 24          | Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities | 42          |
| 25          | Cash Flow - Investing Activities                                                                                                               | 42          |
| 26          | Cash Flow - Financing Activities                                                                                                               | 42          |
| 26a         | Reconciliation of liabilities arising from financial activities                                                                                | 43          |
| 27          | Accounting Standards Issued not yet Adopted                                                                                                    | 44          |
| 28          | Critical Judgements in Applying Accounting Policies                                                                                            | 45          |
| 29          | Assumptions made about the future and other major sources of estimation uncertainty                                                            | 46          |
| 30          | Accounting Policies                                                                                                                            | 48          |
| 31          | Events after the Balance Sheet Date                                                                                                            | 63          |

## **Note 1: Transfer of Services to the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority**

On 2 November 2018, under the terms of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 a new entity, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority was created (referred to in this document as the North of Tyne Combined Authority, or NTCA).

At this date:

- Newcastle City Council, North Tyneside Metropolitan District Council and Northumberland County Council ceased to be members of the North East Combined Authority and became members of the new NTCA; and
- The business of the North East Combined Authority, and the associated assets and liabilities, relating to the geography of Newcastle upon Tyne, North Tyneside and Northumberland transferred to the new NTCA.

Under the Order, it is stated that NECA and NTCA must appoint a Joint Transport Committee (JTC), which is endowed with the powers of the Integrated Transport Authority previously endowed upon NECA. The Constitution of the JTC is such that it meets the definition of Joint Control and it is classified accordingly as a Joint Operation.

At its first meeting on 20 November 2018, the JTC appointed NECA as its accountable body. As the accountable body NECA must split the revenue, expenditure, assets and liabilities into those which relate to NECA and those which relate to NTCA:

- That which relates to Northumberland is wholly allocated to NTCA.
- That which relates to Durham is wholly allocated to NECA.
- That which relates to Tyne and Wear is allocated between NECA and NTCA on the basis of population using the ONS statistics used as the basis of dividing the levy contributions.

From the 1st April 2020 the NTCA will become the Accountable body for the North East Local Enterprise Partnership (LEP) with staff TUPE across from NECA to NTCA and Transport staff in the Regional Transport Team, now known as the Transport Strategy Unit will be transferred to NECA.

Paragraph 2.1.2.9 of the Code makes clear that combinations of public sector bodies are not to be taken as negating the presumption of going concern. The establishment of the NTCA and decisions about accountable body status therefore have no impact on the going concern basis of the NTCA or NECA accounts.

**Note 2: Expenditure and Funding Analysis**

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (e.g. government grant and levies) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the different areas of the NTCA (including JTC) budget. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

The EFA presented in the accounts reconciles between the amounts in the NTCA Movement in Reserves Statement and Comprehensive Income and Expenditure Statement.

|                                                   | 2019/20                                        |                                  |                     |                   |                             |
|---------------------------------------------------|------------------------------------------------|----------------------------------|---------------------|-------------------|-----------------------------|
|                                                   | Net Expenditure Chargeable to the General Fund | Adjustments for Capital Purposes | Pension Adjustments | Other Differences | Net Expenditure in the CIES |
|                                                   | £000                                           | £000                             | £000                | £000              | £000                        |
| <b>Continuing NTCA Services</b>                   |                                                |                                  |                     |                   |                             |
| Investment                                        | 735                                            | -                                | -                   | -                 | 735                         |
| Corporate Costs                                   | (3,713)                                        | -                                | 91                  | -                 | (3,622)                     |
| Mayors Office                                     | 207                                            | -                                | -                   | -                 | 207                         |
| Elections                                         | 1,045                                          | -                                | -                   | -                 | 1,045                       |
| Adult Education Budget                            | (246)                                          | -                                | -                   | -                 | (246)                       |
| <b>Services Transferred from NECA</b>             |                                                |                                  |                     |                   |                             |
| Transport - Northumberland                        | 6,094                                          | -                                | -                   | -                 | 6,094                       |
| Transport - Retained Levy Budget                  | 348                                            | (234)                            | -                   | -                 | 114                         |
| Transport - Tyne and Wear                         | 24,657                                         | -                                | -                   | -                 | 24,657                      |
| Transport - Other                                 | 326                                            | (1,811)                          | -                   | -                 | (1,485)                     |
| Transport - Tyne Tunnels                          | (2,570)                                        | (983)                            | -                   | -                 | (3,553)                     |
| <b>Net Cost of services</b>                       | <b>26,883</b>                                  | <b>(3,028)</b>                   | <b>91</b>           | <b>-</b>          | <b>23,946</b>               |
| <b>Other Income and Expenditure</b>               |                                                |                                  |                     |                   |                             |
| - From continuing services                        | (51,835)                                       | (309)                            | (2)                 | (363)             | (52,509)                    |
| - From services transferred from NECA             | -                                              | -                                | -                   | -                 | -                           |
| <b>(Surplus)/Deficit on Provision of Services</b> | <b>(24,952)</b>                                | <b>(3,337)</b>                   | <b>89</b>           | <b>(363)</b>      | <b>(28,563)</b>             |
| <b>Opening General Fund Balances</b>              | <b>(36,615)</b>                                |                                  |                     |                   |                             |
| Surplus on General Fund Balances in Year          | (24,952)                                       |                                  |                     |                   |                             |
| <b>Closing General Fund Balances</b>              | <b>(61,567)</b>                                |                                  |                     |                   |                             |

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and adjusts for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

## North of Tyne Combined Authority Statement of Accounts 2019/20

- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

### Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

|                                                                                                      | 2018/19                                        |                                  |                     |                   |                             |
|------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------------------------|---------------------|-------------------|-----------------------------|
|                                                                                                      | Net Expenditure Chargeable to the General Fund | Adjustments for Capital Purposes | Pension Adjustments | Other Differences | Net Expenditure in the CIES |
|                                                                                                      | £000                                           | £000                             | £000                | £000              | £000                        |
| <b>Continuing NTCA Services</b>                                                                      |                                                |                                  |                     |                   |                             |
| Investment                                                                                           | 3                                              | -                                | -                   | -                 | 3                           |
| Corporate Costs                                                                                      | 157                                            | -                                | -                   | -                 | 157                         |
| <b>Services Transferred from the NECA</b>                                                            |                                                |                                  |                     |                   |                             |
| Transport - Northumberland                                                                           | 2,561                                          | -                                | -                   | -                 | 2,561                       |
| Transport - Retained Levy Budget                                                                     | 161                                            | (117)                            | -                   | -                 | 44                          |
| Transport - Tyne and Wear                                                                            | 9,538                                          | -                                | -                   | -                 | 9,538                       |
| Transport - Other                                                                                    | 466                                            | (4,104)                          | -                   | -                 | (3,638)                     |
| Transport - Tyne Tunnels                                                                             | 49                                             | 1,955                            | -                   | -                 | 2,004                       |
| <b>Cost of services relating to continuing services excluding operations transferred to the NTCA</b> | <b>12,935</b>                                  | <b>(2,266)</b>                   | -                   | -                 | <b>10,669</b>               |
| <b>Other Income and Expenditure</b>                                                                  |                                                |                                  |                     |                   |                             |
| - From continuing services                                                                           | (20,093)                                       | -                                | -                   | -                 | (20,093)                    |
| - From services transferred from NECA                                                                | (13,050)                                       | -                                | -                   | (147)             | (13,197)                    |
| <b>(Surplus)/Deficit on Provision of Services</b>                                                    | <b>(20,208)</b>                                | <b>(2,266)</b>                   | -                   | <b>(147)</b>      | <b>(22,621)</b>             |

Balances transferred from NECA

(16,407)

Surplus on General Fund Balances in Year

(20,208)

**Closing General Fund Balances at 31 March 2019**

**(36,615)**

**Note 2a: Income and Expenditure Analysed by Nature**

|                                                                                             | 2018/19<br>£000 | 2019/20<br>£000 |
|---------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Expenditure</b>                                                                          |                 |                 |
| Employee benefit expenses                                                                   | 40              | 1,723           |
| Other service expenses                                                                      | 16,774          | 43,335          |
| Support Service Recharges                                                                   | 84              | 298             |
| Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS) | 7,917           | 10,723          |
| Interest payments                                                                           | 1,598           | 3,289           |
| <b>Total expenditure</b>                                                                    | <b>26,413</b>   | <b>59,368</b>   |
| <b>Income</b>                                                                               |                 |                 |
| Fees, charges and other service income (Tyne Tunnels tolls)*                                | (4,191)         | (12,616)        |
| Interest and investment income                                                              | (719)           | (1,080)         |
| Income from transport levy                                                                  | (13,964)        | (33,168)        |
| Government grants and contributions                                                         | (29,321)        | (21,319)        |
| Other income                                                                                | (839)           | (19,748)        |
| <b>Total income</b>                                                                         | <b>(49,034)</b> | <b>(87,931)</b> |
| <b>Surplus/Deficit on the provision of services</b>                                         | <b>(22,621)</b> | <b>(28,563)</b> |

\* Fees, charges and other service income relates wholly to tolls paid by users of the Tyne Tunnels.

**Note 3: Adjustments between Accounting Basis and Funding Basis Under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

| 2018/19         |                                |                                |                      | Adjustments between<br>Accounting Basis and Funding<br>Basis Under Statute                                                                                      | 2019/20         |                                |                                |                      |
|-----------------|--------------------------------|--------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------|--------------------------------|----------------------|
| General<br>Fund | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Unusable<br>Reserves |                                                                                                                                                                 | General<br>Fund | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Unusable<br>Reserves |
| £000            | £000                           | £000                           | £000                 |                                                                                                                                                                 | £000            | £000                           | £000                           | £000                 |
|                 |                                |                                |                      | <b>Adjustments primarily involving<br/>the Capital Adjustment Account</b>                                                                                       |                 |                                |                                |                      |
|                 |                                |                                |                      | <b>Reversal of items debited or<br/>credited to the CIES</b>                                                                                                    |                 |                                |                                |                      |
| (3,213)         | -                              | -                              | 3,213                | Charges for depreciation and<br>impairment of non current assets                                                                                                | (1,842)         |                                |                                | 1,842                |
| 946             | -                              | -                              | (946)                | Other income that cannot be<br>credited to the General Fund                                                                                                     | 2,256           |                                |                                | (2,256)              |
| 4,640           | -                              | -                              | (4,640)              | Capital grants and contributions<br>applied                                                                                                                     | 6,435           |                                |                                | (6,435)              |
| (4,704)         | -                              | -                              | 4,704                | Revenue expenditure funded from<br>capital under statute                                                                                                        | (8,881)         |                                |                                | 8,881                |
|                 |                                |                                | -                    | <b>Insertion of items not debited or<br/>credited to the CIES</b>                                                                                               |                 |                                |                                | -                    |
| 429             | -                              | -                              | (429)                | Statutory provision for the financing<br>of capital investment                                                                                                  | 766             |                                |                                | (766)                |
| -               | -                              | -                              | -                    | Capital expenditure charged<br>against the General Fund                                                                                                         | 4               |                                |                                | (4)                  |
|                 |                                |                                |                      | <b>Adjustments primarily involving<br/>the Capital Grants Unapplied</b>                                                                                         |                 |                                |                                |                      |
| 4,168           | -                              | (4,168)                        | -                    | Grants and contributions unapplied<br>credited to the CIES                                                                                                      | 4,599           |                                | (4,599)                        | -                    |
| -               | -                              | 545                            | (545)                | Application of grants to capital<br>financing transferred to the CAA                                                                                            |                 |                                | 2,916                          | (2,916)              |
|                 |                                |                                |                      | <b>Adjustments involving the<br/>Capital Receipts Reserve</b>                                                                                                   |                 |                                |                                |                      |
| -               | (724)                          | -                              | (724)                | Loan principal repayments                                                                                                                                       |                 | (698)                          |                                | 698                  |
| -               | 724                            | -                              | 724                  | Use of Capital Receipts Reserve to<br>finance new capital expenditure                                                                                           |                 |                                |                                | -                    |
| -               | -                              | -                              | -                    | Application of Capital Receipts to<br>repayment of debt                                                                                                         |                 | 698                            |                                | (698)                |
|                 |                                |                                |                      | <b>Adjustments involving the<br/>Financial Instruments</b>                                                                                                      |                 |                                |                                |                      |
| 147             | -                              | -                              | (147)                | Amount by which finance costs<br>charged to the CIES are different<br>from finance costs chargeable in<br>the year in accordance with<br>statutory requirements | 363             |                                |                                | (363)                |
|                 |                                |                                |                      | <b>Adjustments involving the<br/>Pensions Reserve</b>                                                                                                           |                 |                                |                                |                      |
| -               | -                              | -                              | -                    | Reversal of items relating to<br>retirement benefits debited or<br>credited to the CIES                                                                         | (269)           |                                |                                | 269                  |
| -               | -                              | -                              | -                    | Employer's pension contributions<br>and direct payments to pensioners<br>payable in the year                                                                    | 178             |                                |                                | (178)                |
|                 |                                |                                |                      | Interest expense on net defined<br>liability/(asset)                                                                                                            | 2               |                                |                                | (2)                  |
| <b>2,413</b>    | <b>-</b>                       | <b>(3,623)</b>                 | <b>1,210</b>         | <b>Total Adjustments</b>                                                                                                                                        | <b>3,611</b>    | <b>-</b>                       | <b>(1,683)</b>                 | <b>(1,928)</b>       |

**Note 4: Financing and Investment Income and Expenditure**

|                                               | Note | 2018/19                     |                                                                            | 2019/20      |
|-----------------------------------------------|------|-----------------------------|----------------------------------------------------------------------------|--------------|
|                                               |      | Continuing Services<br>£000 | Transport Services transferred to NTCA - 1 April 2018 - 1 November<br>£000 | £000         |
| Interest Payable and Similar Charges          |      | 1,598                       |                                                                            | 3,289        |
| Interest Payable on defined benefit liability | 19   |                             |                                                                            | (2)          |
| Interest Receivable and similar income        |      | (719)                       |                                                                            | (1,078)      |
| <b>Total</b>                                  |      | <b>879</b>                  | <b>-</b>                                                                   | <b>2,209</b> |

**Note 5: Taxation and Non Specific Grant Income**

|                                  | 2018/19                     |                                                                            | 2019/20         |
|----------------------------------|-----------------------------|----------------------------------------------------------------------------|-----------------|
|                                  | Continuing Services<br>£000 | Transport Services transferred to NTCA - 1 April 2018 - 1 November<br>£000 | £000            |
| Transport Levy                   | -                           | (13,964)                                                                   | (33,168)        |
| Non-Ringfenced Government Grants | (20,091)                    | -                                                                          | (20,182)        |
| Non Specific Capital Grants      | -                           | (114)                                                                      | (1,368)         |
| <b>Total</b>                     | <b>(20,091)</b>             | <b>(14,078)</b>                                                            | <b>(54,718)</b> |



**Note 6: Grant Income**

The following grants and contributions were credited to the Comprehensive Income and Expenditure Statement within the Cost of Services in 2019/20:

|                                                             | 2018/19             |                                        | 2019/20         |
|-------------------------------------------------------------|---------------------|----------------------------------------|-----------------|
|                                                             | Continuing Services | Transport Services transferred to NTCA |                 |
|                                                             | £000                | £000                                   | £000            |
| Homeless Veteran Grant                                      | (91)                | -                                      | -               |
| Mayoral Capacity Fund                                       | (250)               | -                                      | (1,000)         |
| Other Grants and Contributions (individually under £1.000m) | (4)                 | (435)                                  | (114)           |
| Local Transport Plan                                        | -                   | (3,860)                                | (6,179)         |
| European Grants                                             | -                   | -                                      | (220)           |
| North East Smart Ticketing Initiative                       | -                   | -                                      | (160)           |
| Transforming Cities Fund                                    | -                   | (4,450)                                | (4,386)         |
| Office for Low Emission Vehicles                            | -                   | -                                      | (240)           |
| Section 31 Grant                                            | -                   | -                                      | -               |
| Adult Education Implentation Fund                           | (26)                | -                                      | (382)           |
| <b>Total</b>                                                | <b>(371)</b>        | <b>(8,745)</b>                         | <b>(12,681)</b> |

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that if not met will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

| <b>Grants Receipts in Advance</b>          | <b>31 March 2019</b> | <b>31 March 2020</b> |
|--------------------------------------------|----------------------|----------------------|
|                                            | <b>£000</b>          | <b>£000</b>          |
| NECA North East Smart Ticketing Initiative | (503)                | (91)                 |
| NECA Office for Low Emission Vehicles      | (100)                | (112)                |
| Other Grants                               | -                    | (224)                |
| <b>Total</b>                               | <b>(603)</b>         | <b>(427)</b>         |

|                                                    |              |              |
|----------------------------------------------------|--------------|--------------|
| Shown as Short-Term Liability on the Balance Sheet | (503)        | (427)        |
| Short as Long-Term Liability on the Balance Sheet  | (100)        | -            |
| <b>Total</b>                                       | <b>(603)</b> | <b>(427)</b> |

**Note 7: Members' Allowances**

The Authority paid the following amounts to independent members of its various committees during the financial year 2019/20:

|              | 2018/19<br>£000 | 2019/20<br>£000 |
|--------------|-----------------|-----------------|
| Allowances   | -               | 2               |
| <b>Total</b> | -               | <b>2</b>        |

During the financial year 2019/20 the following allowance was paid to the Elected Mayor:

|                                                        | 2018/19<br>£000 | 2019/20<br>£000 |
|--------------------------------------------------------|-----------------|-----------------|
| Elected Mayor Allowance                                | -               | 56              |
| Elected Mayor National Insurance Contributions Payable | -               | 10              |
| <b>Total</b>                                           | -               | <b>66</b>       |

**Note 8: Officers' Remuneration**

The remuneration paid to the Combined Authority's Senior Officers was as follows:

|                                              |         | Salary, Fees<br>and<br>Allowances<br>£000 | Pension<br>Contributions<br>£000 | Total<br>£000 |
|----------------------------------------------|---------|-------------------------------------------|----------------------------------|---------------|
| Director of Economic Growth                  | 2019/20 | 35                                        | 9                                | 44            |
|                                              | 2018/19 | -                                         | -                                | -             |
| Director of Policy and Performance           | 2019/20 | 127                                       | 0                                | 127           |
|                                              | 2018/19 | -                                         | -                                | -             |
| Managing Director of Transport Arrangements* | 2019/20 | 127                                       | -                                | 127           |
|                                              | 2018/19 | 125                                       | 21                               | 146           |

\*The Managing Director of Transport Arrangements is a NECA employee, working on behalf of the Joint Transport Committee, therefore under the Joint Transport Committee arrangements the remuneration paid to the Managing Director of Transport Operations is included in the table above, although NTCA are only responsible for their proportion of his salary costs based on the population

Five of the Authorities' statutory officers are not formal employees of the Combined Authority, and are not therefore included in the statutory disclosure above. Their services are based on agreed number of days per week and charged including expenses by their respective Local Authority employers, these are shown in the interests of transparency. The Director of Economic Growth and Director of Policy and Performance posts were appointed to permanently by the NTCA midway through 2019/20.

North of Tyne Combined Authority Statement of Accounts 2019/20

|                                                                                               |         | Payment<br>for agreed<br>Days<br>£000 | Expenses<br>£000 | Total<br>£000 |
|-----------------------------------------------------------------------------------------------|---------|---------------------------------------|------------------|---------------|
| Pat Ritchie, Head of Paid Service to Dec 31st 2019<br>(SLA Newcastle City Council)            | 2019/20 | 10                                    | -                | 10            |
| Pat Ritchie, Head of Paid Service<br>(SLA Newcastle City Council)                             | 2018/19 | -                                     | -                | -             |
| Paul Hanson, Head of Paid Service from January 1<br>2020 - March 31 2020 (SLA North Tyneside) | 2019/20 | 24                                    | -                | 24            |
| N/A                                                                                           | 2018/19 | -                                     | -                | -             |
| Janice Gillespie, Interim Chief Finance Officer, S.73<br>Officer (SLA North Tyneside)         | 2019/20 | 19                                    | -                | 19            |
| Janice Gillespie, Interim Chief Finance Officer, S.73<br>Officer (SLA North Tyneside)         | 2018/19 | 10                                    | -                | 10            |
| John Softly, Interim Monitoring Officer (SLA Newcastle<br>City Council)                       | 2019/20 | 115                                   | -                | 115           |
| John Softly, Interim Monitoring Officer (SLA Newcastle<br>City Council)                       | 2018/19 | 83                                    | -                | 83            |
| Interim Director of Economic Growth to 2 Dec 2019<br>(Newcastle City Council)                 | 2019/20 | 85                                    | -                | 85            |
| Interim, Director of Economic Growth<br>(Newcastle City Council)                              | 2018/19 | -                                     | -                | -             |
| Interim Director of Policy and Performance to 2 Dec 2019                                      | 2019/20 | -                                     | -                | -             |
| Interim Director of Policy and Performance                                                    | 2018/19 | -                                     | -                | -             |

The number of other officers, who are directly employed by the NTCA, who received remuneration greater than £50,000 (excluding employers' pension contributions) was as follows:

|                 | 2018/19<br>£000 | 2019/20<br>£000 |
|-----------------|-----------------|-----------------|
| £50,000-£54,999 | 0               | 0               |
| £55,000-£59,999 | 1               | 0               |
| £60,000-£64,999 | 0               | 1               |
| £65,000-£69,999 | 0               | 0               |
| £70,000-£74,999 | 0               | 0               |
| £75,000-£79,999 | 0               | 0               |
| £80,000-£84,999 | 0               | 0               |
| £85,000-£89,999 | 0               | 0               |
| £90,000-£94,999 | 0               | 0               |
| £95,000-£99,999 | 0               | 0               |
| <b>Total</b>    | <b>1</b>        | <b>1</b>        |

**Note 9: External Audit Costs**

The Combined Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspection and for non-audit services provided by the Combined Authority's external auditors.

|                                                      | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|------------------------------------------------------|-------------------------|-------------------------|
| Scale fee for the audit of the Statement of Accounts | 30                      | 28                      |
| <b>Total</b>                                         | <b>30</b>               | <b>28</b>               |

## Note 10: Related Parties

The Combined Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Combined Authority or to be controlled or influenced by the Combined Authority. Disclosure of these transactions allows readers to assess the extent to which the Combined Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

In this context, related parties include:

- Central Government
- Members of the Cabinet
- Officers of the Combined Authority
- NTCA Constituent Authorities
- Joint Transport Committee Constituent Authorities
- Other Public Bodies
- Other Entities

### Central Government

Central Government is responsible for providing the statutory framework within which the Combined Authority operates, provides much of its funding in the form of grants and prescribes the terms of some of the transactions that the Combined Authority has with other parties. Grants received from government departments are set out in Note 6.

### Elected Members of the Authority

Members of the Combined Authority have a direct control over the Combined Authority's financial and operating policies. The total of members allowances payable to elected members of the Combined Authority is shown in Note 7. During 2019/20 no works or services were commissioned from companies in which any members had an interest.

### Officers

There have been no pecuniary interest involving the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer to the Authority.

### NTCA Constituent Authorities

The Leaders of the three constituent Authorities serve as members on the NTCA Cabinet. Details of material transactions with the seven Authorities are set out in the table below.

### Joint Transport Committee Constituent Authorities

From 2 November 2018, the Joint Transport Committee has been in establishment, comprised of the seven North East local authorities. Figures reported in these accounts include the NTCA share of Joint Transport Committee activity, and details of material transactions with the seven Authorities are set out in the table below.

### Other Public Bodies

The Combined Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus) through the North East Combined Authority (NECA). Details of material transactions with Nexus are set out in the table below.

## North of Tyne Combined Authority Statement of Accounts 2019/20

### Other Entities

Newcastle International Airport Ltd - the seven Constituent Authorities are shareholders in Newcastle Airport.

|                                     | 2018/19     |         |             |          | 2019/20     |         |             |          |
|-------------------------------------|-------------|---------|-------------|----------|-------------|---------|-------------|----------|
|                                     | Receivables | Income  | Expenditure | Payables | Receivables | Income  | Expenditure | Payables |
|                                     | £000        | £000    | £000        | £000     | £000        | £000    | £000        | £000     |
| <b>NTCA Constituent Authorities</b> |             |         |             |          |             |         |             |          |
| Newcastle                           | -           | (3,594) | 1,275       | 710      | (783)       | (7,871) | 1,519       | 1,189    |
| North Tyneside                      | -           | (1,983) | 279         | 143      | (1,918)     | (6,863) | 1,237       | 286      |
| Northumberland                      | -           | (1,135) | 1,376       | 54       | (2,359)     | (8,468) | 7,507       | 88       |
| <b>NECA Constituent Authorities</b> |             |         |             |          |             |         |             |          |
| Durham                              | -           | (2,896) | 3,204       | -        | -           | -       | 1,383       | 69       |
| Gateshead                           | -           | (2,036) | 162         | -        | -           | (4,850) | 853         | 21       |
| South Tyneside                      | -           | (1,509) | 180         | 86       | -           | (3,583) | 535         | 610      |
| Sunderland                          | -           | (2,808) | 196         | 19       | -           | (6,643) | 1,000       | 105      |
| <b>Other Public Bodies</b>          |             |         |             |          |             |         |             |          |
| North East Combined Authority       | -           | -       | -           | -        | -           | -       | 8           | 8        |
| Nexus                               | (698)       | (1,330) | 10,668      | 27,178   | (672)       | -       | 27,226      | 22,609   |

NECA is the accountable body for the Joint Transport Committee and as such must split revenue, expenditure and assets and liabilities into those which relate to NECA and those which relate to NTCA. The basis of dividing the levy contributions is done on a proportion of population in respect of the five Tyne and Wear authorities, with North of Tyne Authorities proportion based on Newcastle and North Tyneside population and the NECA authorities split on the population of the Gateshead, South Tyneside and Sunderland. The contribution relating to Northumberland, however, is administered by North of Tyne and therefore shown as wholly allocated within the North of Tyne accounts and Durham is wholly shown in the NECA accounts.

## Note 11: Property, Plant and Equipment

| 2019/20                                                                                                | Vehicles, Plant,<br>Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Assets Under<br>Construction<br>£000 | Total Property, Plant &<br>Equipment<br>£000 | Service Concession<br>Assets included in<br>Property, Plant and<br>Equipment<br>£000 |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------|-------------------------------|--------------------------------------|----------------------------------------------|--------------------------------------------------------------------------------------|
| <b>Cost or Valuation</b>                                                                               |                                                   |                               |                                      |                                              |                                                                                      |
| <b>At 1 April 2019</b>                                                                                 | 1,420                                             | 166,202                       | 7,999                                | <b>175,621</b>                               | 166,202                                                                              |
| Additions                                                                                              | -                                                 | -                             | 1,373                                | <b>1,373</b>                                 | -                                                                                    |
| Reclassification                                                                                       | 334                                               | 8,104                         | <b>(8,438)</b>                       | -                                            | 8,104                                                                                |
| Revaluation increases/(decreases)<br>recognised in the Surplus/Deficit on the<br>Provision of Services | -                                                 | -                             | -                                    | -                                            | -                                                                                    |
| Impairment recognised in the<br>Surplus/Deficit on the Provision of Services                           | -                                                 | -                             | -                                    | -                                            | -                                                                                    |
| <b>At 31 March 2020</b>                                                                                | <b>1,754</b>                                      | <b>174,306</b>                | <b>934</b>                           | <b>176,994</b>                               | <b>174,306</b>                                                                       |
| <b>Accumulated Depreciation and<br/>Impairment</b>                                                     |                                                   |                               |                                      |                                              |                                                                                      |
| <b>At 1 April 2019</b>                                                                                 | <b>(525)</b>                                      | <b>(21,005)</b>               | -                                    | <b>(21,530)</b>                              | <b>(21,005)</b>                                                                      |
| Depreciation charge for the Year                                                                       | <b>(74)</b>                                       | <b>(1,768)</b>                | -                                    | <b>(1,842)</b>                               | <b>(1,768)</b>                                                                       |
| <b>At 31 March 2020</b>                                                                                | <b>(599)</b>                                      | <b>(22,773)</b>               | -                                    | <b>(23,372)</b>                              | <b>(22,773)</b>                                                                      |
| <b>Net Book Value</b>                                                                                  |                                                   |                               |                                      |                                              |                                                                                      |
| <b>At 1 April 2019</b>                                                                                 | <b>895</b>                                        | <b>145,197</b>                | <b>7,999</b>                         | <b>154,091</b>                               | <b>145,197</b>                                                                       |
| <b>At 31 March 2020</b>                                                                                | <b>1,155</b>                                      | <b>151,533</b>                | <b>934</b>                           | <b>153,621</b>                               | <b>151,533</b>                                                                       |

2018/19

|                                                                                                  | Vehicles, Plant, Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Assets Under Construction<br>£000 | Total Property, Plant & Equipment<br>£000 | Service Concession Assets included in Property, Plant and Equipment<br>£000 |
|--------------------------------------------------------------------------------------------------|------------------------------------------------|-------------------------------|-----------------------------------|-------------------------------------------|-----------------------------------------------------------------------------|
| <b>Cost or Valuation</b>                                                                         |                                                |                               |                                   |                                           |                                                                             |
| Transferred from the NECA                                                                        | 1,420                                          | 168,729                       | 6,817                             | 176,966                                   | 168,729                                                                     |
| Additions                                                                                        | -                                              | 19                            | 1,182                             | 1,201                                     | 19                                                                          |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | -                                              | (19)                          | -                                 | (19)                                      | (19)                                                                        |
| Impairment recognised in the Surplus/Deficit on the Provision of Services                        | -                                              | (2,527)                       | -                                 | (2,527)                                   | (2,527)                                                                     |
| <b>At 31 March 2019</b>                                                                          | <b>1,420</b>                                   | <b>166,202</b>                | <b>7,999</b>                      | <b>175,621</b>                            | <b>166,202</b>                                                              |
| <b>Accumulated Depreciation and Impairment</b>                                                   |                                                |                               |                                   |                                           |                                                                             |
| Transfer from NECA                                                                               | (508)                                          | (20,355)                      | -                                 | (20,863)                                  | (20,355)                                                                    |
| Depreciation charge                                                                              | (17)                                           | (650)                         | -                                 | (667)                                     | (650)                                                                       |
| <b>At 31 March 2019</b>                                                                          | <b>(525)</b>                                   | <b>(21,005)</b>               | <b>-</b>                          | <b>(21,530)</b>                           | <b>(21,005)</b>                                                             |
| <b>Net Book Value</b>                                                                            |                                                |                               |                                   |                                           |                                                                             |
| Balances transferred from NECA                                                                   | 912                                            | 148,374                       | 6,817                             | 156,103                                   | 148,374                                                                     |
| <b>At 31 March 2019</b>                                                                          | <b>895</b>                                     | <b>145,197</b>                | <b>7,999</b>                      | <b>154,091</b>                            | <b>145,197</b>                                                              |



**Note 12: Financial Instruments****Financial Assets**

A financial asset is a right to future economic benefits controlled by the Combined Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications.

|                               | Non-current           |                       |                       |                       | Current               |                       |                       |                       |
|-------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                               | Investments           |                       | Debtors               |                       | Investments           |                       | Debtors               |                       |
|                               | 31 March 2019<br>£000 | 31 March 2020<br>£000 | 31 March 2019<br>£000 | 31 March 2020<br>£000 | 31 March 2019<br>£000 | 31 March 2020<br>£000 | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
| Amortised cost                | -                     | -                     | 16,402                | 15,595                | 27,720                | 35,580                | 960                   | 1,376                 |
| <b>Total financial assets</b> | -                     | -                     | <b>16,402</b>         | <b>15,595</b>         | <b>27,720</b>         | <b>35,580</b>         | <b>960</b>            | <b>1,376</b>          |
| Non-financial assets          | -                     | -                     | -                     | -                     | -                     | -                     | -                     | 5,156                 |
| <b>Total</b>                  | -                     | -                     | <b>16,402</b>         | <b>15,595</b>         | <b>27,720</b>         | <b>35,580</b>         | <b>960</b>            | <b>6,532</b>          |

**Financial assets at amortised cost**

Financial assets are classified at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest

All of the financial assets fit these criteria and are classified at amortised cost.

**Trade receivables**

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.

**Financial Liabilities held at amortised cost**

A financial liability is an obligation to transfer economic benefits controlled by the Combined Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Combined Authority.

|                                    | Non-current           |                       |                       |                       | Current               |                       |                       |                       |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                    | Borrowings            |                       | Creditors             |                       | Borrowings            |                       | Creditors             |                       |
|                                    | 31 March 2019<br>£000 | 31 March 2020<br>£000 | 31 March 2019<br>£000 | 31 March 2020<br>£000 | 31 March 2019<br>£000 | 31 March 2020<br>£000 | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
| Amortised cost                     | (73,648)              | (75,595)              | -                     | -                     | (1,024)               | (1,032)               | (28,665)              | (25,416)              |
| <b>Total financial liabilities</b> | <b>(73,648)</b>       | <b>(75,595)</b>       | -                     | -                     | <b>(1,024)</b>        | <b>(1,032)</b>        | <b>(28,665)</b>       | <b>(25,416)</b>       |
| Non-financial liabilities          | -                     | -                     | -                     | -                     | -                     | -                     | (587)                 | (2,190)               |
| <b>Total</b>                       | <b>(73,648)</b>       | <b>(75,595)</b>       | -                     | -                     | <b>(1,024)</b>        | <b>(1,032)</b>        | <b>(29,252)</b>       | <b>(27,606)</b>       |

The contractual terms for these financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.

**Income, Expense, Gains and Losses**

The gains and losses recognised in the CIES in relation to financial instruments are made up as

| 31 March 2019                           |                                              |              |                                                          | 31 March 2020                           |                                              |              |
|-----------------------------------------|----------------------------------------------|--------------|----------------------------------------------------------|-----------------------------------------|----------------------------------------------|--------------|
| £000                                    | £000                                         | £000         |                                                          | £000                                    | £000                                         | £000         |
| Financial Liabilities at amortised cost | Financial assets: measured at amortised cost | Total        |                                                          | Financial Liabilities at amortised cost | Financial assets: measured at amortised cost | Total        |
| 1,598                                   | -                                            | 1,598        | Interest expense                                         | 3,289                                   |                                              | 3,289        |
| <b>1,598</b>                            | -                                            | <b>1,598</b> | <b>Total expense in Surplus on Provision of Services</b> | <b>3,289</b>                            | -                                            | <b>3,289</b> |
| -                                       | (717)                                        | (717)        | Investment income                                        |                                         | (1,080)                                      | (1,080)      |
| -                                       | -                                            | -            | Movement on soft loans                                   |                                         |                                              | -            |
| -                                       | (717)                                        | (717)        | <b>Total income in Surplus on Provision of Services</b>  | -                                       | (1,080)                                      | (1,080)      |
| <b>1,598</b>                            | <b>(717)</b>                                 | <b>881</b>   | <b>Net (gain)/loss for the</b>                           | <b>3,289</b>                            | <b>(1,080)</b>                               | <b>2,209</b> |

**Fair Value of Assets & Liabilities carried at Amortised Cost**

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Combined Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

For 2019/20 the fair values are shown in the table below are split by their level in the fair value

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or

- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options: lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

**The fair values calculated are as follows:**

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

|                                              | Level | 31/03/2019              |                    | 31 March 2020           |                    |
|----------------------------------------------|-------|-------------------------|--------------------|-------------------------|--------------------|
|                                              |       | Carrying amount<br>£000 | Fair value<br>£000 | Carrying amount<br>£000 | Fair value<br>£000 |
| Financial liabilities held at amortised cost | 2     | (74,672)                | (120,322)          | (76,627)                | (132,125)          |
| <b>Total</b>                                 |       | <b>(74,672)</b>         | <b>(120,322)</b>   | <b>(76,627)</b>         | <b>(132,125)</b>   |
| <b>Financial Assets at amortised cost</b>    |       |                         |                    |                         |                    |
| Held to maturity investments                 |       | 27,720                  | 27,720             | 35,580                  | 35,580             |
| Nexus loan debtor                            | 2     | 17,099                  | 26,979             | 15,595                  | 27,152             |
| Other loan debtors                           | 3     | -                       | -                  | -                       | -                  |
| <b>Total</b>                                 |       | <b>44,819</b>           | <b>54,699</b>      | <b>51,175</b>           | <b>62,732</b>      |

**Note 13: Nature and Extent of risks arising from Financial Instruments**

The Authority's activities expose it to a variety of financial risks:

Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.

Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.

Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and financial market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Authority in the Annual Treasury Management Strategy Statement. The statement provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This deposit risk is minimised through the Treasury Management Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Statement also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Authority are detailed fully in the Annual Treasury Management Strategy Statement.

The following table summarises the Authority's maximum exposure to credit risk on financial assets. This analysis is based on credit rating advice received by Treasury Management advisors and focuses on the long-term investment grade rating issued to each financial institution. The highest possible rating is AAA and the lowest rating is BBB:

| <b>Rating</b>                                                  | <b>2019/20<br/>£000</b> |
|----------------------------------------------------------------|-------------------------|
| A+                                                             | -                       |
| A-                                                             |                         |
| n/a - investments with UK local authorities                    | 33,784                  |
| n/a - investments with unrated building societies <sup>1</sup> | 1,797                   |
| <b>Total Short-Term Investments</b>                            | <b>35,581</b>           |

<sup>1</sup> In line with its agreed Investment Strategy, NTCA at the point of these accounts, did not place investments with Building Society. NECA (in regard of those Investments which relate to JTC Investments) place investments for up to 1 year and up to £5m each with UK building societies without credit ratings with assets greater than £250m.

The Combined Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2020 that this was likely to crystallise. Actions are taken immediately if an institution is downgraded and deposits withdrawn in line with Treasury Management Strategy.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, within individual credit limits being set in accordance with internal ratings within parameters set by the Combined Authority. The Combined Authority has a low risk of default from its customers for goods and services, since these are predominantly other local authorities or other public bodies such as Nexus.

Credit risk is taken into account in determining the appropriate rate of interest to be applied to the North East Investment Fund loans and in whether an investment decision is agreed.

**Liquidity Risk**

The Combined Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure maturing loans may be replaced through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

|                        | <b>31 March 2019</b> | <b>31 March 2020</b> |
|------------------------|----------------------|----------------------|
|                        | <b>£000</b>          | <b>£000</b>          |
| Between 1-2 years      | (295)                | (295)                |
| Between 2-5 years      | (886)                | (886)                |
| Between 5-10 years     | (738)                | (443)                |
| More than 10 years     | (71,729)             | (73,971)             |
|                        | <b>(73,648)</b>      | <b>(75,595)</b>      |
| Less than 1 year       | (1,024)              | (1,032)              |
| <b>Total borrowing</b> | <b>(74,672)</b>      | <b>(76,627)</b>      |

All trade and other payables are due to be paid in less than one year.

**Market Risk**

**Interest Rate Risk**

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates - the fair value of liabilities will fall;
- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investments at fixed rates - the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to ensure that the level of its borrowings in variable rate loans does not expose the portfolio to excessive movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

**Interest rate sensitivity analysis:** an example of the impact of a change in interest rates is calculated in the risk assessment shown below. The assessment has been carried out assuming a 1% increase in interest rates (with all other variables such as principal and maturity periods being held constant). The results of this assessment are shown in the following table:

|                                                                 | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|-----------------------------------------------------------------|-----------------------|-----------------------|
| Increase in interest payable on variable rate borrowing         | -                     |                       |
| Increase in interest receivable on variable rate investments    | 543                   | 149                   |
| <b>Impact on the (Surplus)/Deficit on Provision of Services</b> | <b>543</b>            | <b>149</b>            |

The increase in interest payable on variable rate borrowings is nil, because all NECA's borrowings, as related to JTC balances are at fixed rates. A decrease in the fair value of fixed rate borrowings liabilities would have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. The impact of a 1% fall in interest rates would be as above, but with the movements being reversed. There have been no changes from the previous period in the methods and assumptions used.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease of £24.650m in the fair value of fixed rate borrowings, although this would not impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

**Note 14: Short Term Debtors**

|                                | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|--------------------------------|-----------------------|-----------------------|
| Central Government bodies      | 510                   | 790                   |
| Other local authorities        | -                     | 5,070                 |
| Other entities and individuals | 824                   | 672                   |
| <b>Total</b>                   | <b>1,334</b>          | <b>6,532</b>          |

**Note 15: Long Term Debtors**

|                 | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|-----------------|-----------------------|-----------------------|
| Nexus borrowing | 16,402                | 15,595                |
| <b>Total</b>    | <b>16,402</b>         | <b>15,595</b>         |

**Note 16: Cash and Cash Equivalents**

|                                       | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|---------------------------------------|-----------------------|-----------------------|
| Cash held in Authority's bank account | 6,160                 | 7,173                 |
| Cash equivalents                      | 22,989                | 35,531                |
| <b>Total</b>                          | <b>29,149</b>         | <b>42,704</b>         |

**Note 17: Short Term Creditors**

|                                | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|--------------------------------|-----------------------|-----------------------|
| Central government bodies      | (2)                   | (78)                  |
| Other local authorities        | (1,014)               | (2,386)               |
| Other entities and individuals | (29,430)              | (342)                 |
| - Nexus                        | -                     | (22,441)              |
| - TT2                          | -                     | (1,346)               |
| - Other                        | -                     | (1,013)               |
| <b>Total</b>                   | <b>(30,446)</b>       | <b>(27,606)</b>       |

**Note 18: Private Finance Initiatives and Similar Contracts**

In November 2007, the then Tyne and Wear Passenger Transport Authority entered into a 30 year contract with TT2 Ltd to construct a second vehicle tunnel under the River Tyne, refurbish the existing Tyne Tunnel and operate both vehicle tunnels alongside the pedestrian and cycle tunnels for the life of the contract. The second tunnel was opened on 25 February 2011, and the refurbished original tunnel opened on 21 November 2011. Both are included on the public sector balance sheet.

In 2019/20 the total payment under the contract was £21.123m (2018/19 £20.256m) of which £17.367m is shown in the account of NECA and £3.756m shown in the accounts of NTCA.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 2019/20 value of £91.661m (2018/19 £96.753m), of which £51.061m is shown on the NECA balance sheet and £40.600m shown on the NTCA balance sheet.

|                               | <b>Deferred Income Release</b> |                         |
|-------------------------------|--------------------------------|-------------------------|
|                               | <b>2018/19<br/>£000</b>        | <b>2019/20<br/>£000</b> |
| Payable in 2020/21            | (2,255)                        | (2,256)                 |
| Payable within 2 to 5 years   | (9,019)                        | (9,022)                 |
| Payable within 6 to 10 years  | (11,274)                       | (11,278)                |
| Payable within 11 to 15 years | (11,274)                       | (11,278)                |
| Payable within 16 to 20 years | (9,018)                        | (6,766)                 |
| <b>Total</b>                  | <b>(42,840)</b>                | <b>(40,600)</b>         |

**Payments**

Payments made by the Authority to TT2 Ltd are based on actual traffic volumes using the tunnel, and so will vary from year to year.



**Note 19: Defined Benefit Pension Schemes**

The Combined Authority currently participates in one post-employment schemes:

(i) Tyne and Wear Pension Fund administered locally by South Tyneside Council - this is a funded, defined benefit scheme, meaning that the Combined Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments.

The Tyne and Wear Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. The governance of the scheme is the responsibility of the Fund's Pension Committee which consists of eight members from South Tyneside Council (which has legal responsibility for the Fund), four members from the other councils in Tyne and Wear, and three members each nominated by the trades unions and the employers. During 2017/18, the Fund, along with eleven other funds, created and now owns a Financial Conduct Authority (FCA) regulated investment management company called Border to Coast Pensions Partnership Limited.

**Amounts recognised in profit and loss and other comprehensive income**

|                                                                                                      | <b>Local Government Pension Scheme</b> |                |
|------------------------------------------------------------------------------------------------------|----------------------------------------|----------------|
|                                                                                                      | <b>2018/19</b>                         | <b>2019/20</b> |
|                                                                                                      | <b>£000</b>                            | <b>£000</b>    |
| <b>Comprehensive Income and Expenditure Statement</b>                                                |                                        |                |
| <b>Cost of Services:</b>                                                                             |                                        |                |
| Current service cost                                                                                 | -                                      | 250            |
| Past service cost                                                                                    | -                                      | 19             |
| <b>Financing and Investment Income and Expenditure</b>                                               |                                        |                |
| Interest on net defined benefit liability (asset)                                                    | -                                      | (2)            |
| <b>Pension expense recognised in profit and loss</b>                                                 | -                                      | <b>267</b>     |
| <b>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</b> |                                        |                |
| Return on plan assets (in excess of)/below that recognised in net interest                           | -                                      | (386)          |
| Actuarial (gains)/losses due to changes in financial assumptions                                     | -                                      | (12)           |
| Actuarial (gains)/losses due to changes in demographic assumptions                                   | -                                      | -              |
| Actuarial (gains)/losses due to changes in liability assumptions                                     | -                                      | 594            |
| Adjustment in respect of paragraph 58                                                                | -                                      | -              |
| <b>Total amount recognised in Other Comprehensive Income</b>                                         | -                                      | <b>196</b>     |
| <b>Total amount recognised</b>                                                                       | -                                      | <b>463</b>     |

Changes to the present value of net defined benefit obligation

|                                                                   | Local Government Pension Scheme |            |
|-------------------------------------------------------------------|---------------------------------|------------|
|                                                                   | 2018/19                         | 2019/20    |
|                                                                   | £000                            | £000       |
| <b>Opening defined benefit obligation at 1 April</b>              | -                               | 2          |
| Current service cost                                              | -                               | 250        |
| Interest expense on defined benefit obligation                    | -                               | 1          |
| Contributions by participants                                     | -                               | 54         |
| Actuarial gains/(losses) on liabilities - financial assumptions   | -                               | (12)       |
| Actuarial gains/(losses) on liabilities - demographic assumptions | -                               | -          |
| Actuarial gains/(losses) on liabilities - experience              | -                               | 594        |
| Net benefits paid out                                             | -                               | 2          |
| Past service costs                                                | -                               | 19         |
| <b>Closing defined benefit obligation at 31 March</b>             | -                               | <b>910</b> |

Reconciliation of the fair value of the scheme assets:

|                                        | Local Government Pension Scheme |            |
|----------------------------------------|---------------------------------|------------|
|                                        | 2018/19                         | 2019/20    |
|                                        | £000                            | £000       |
| <b>Opening fair value of assets</b>    | -                               | 2          |
| Interest income on assets              | -                               | 3          |
| Remeasurement gains/(losses) on assets | -                               | 386        |
| Employer contributions                 | -                               | 178        |
| Contributions by scheme participants   | -                               | 54         |
| Net benefits paid out                  | -                               | 2          |
| <b>Closing fair value of assets</b>    | -                               | <b>625</b> |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

| Scheme History                                       | 2018/19<br>£000 | 2019/20<br>£000 |
|------------------------------------------------------|-----------------|-----------------|
| <b>Fair value of LGPS assets</b>                     | -               | 625             |
| Present value of liabilities:                        |                 |                 |
| - Funded Defined Benefit Obligation                  | -               | 910             |
| <b>Funding Status</b>                                | -               | <b>(285)</b>    |
| Unrecognised Asset                                   | -               | -               |
| <b>Asset/ (Liability) shown on the Balance Sheet</b> | -               | <b>(285)</b>    |

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows: active members 100%, deferred pensioners 0% and pensioners 0%.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £0.910m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £0.285m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2021 is £0.071m. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2021 are nil in relation to unfunded benefits.

#### **Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government Pension Scheme have been assessed by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2019.

The impact of the McCloud judgement has been allowed for in these figures. The approach taken was that where the employer accounted for a potential McCloud liability at the last accounting date (which would have been treated as a past service cost in last year), any change in the allowance over the period has been treated as an experience item through the Comprehensive Income. Where the employer chose not to account for a potential McCloud liability has been presented as a past service cost this year. As NTCA did not have a pension liability in the last financial year a past service cost has been calculated this year of £0.018m, which is recognised at 1 April 2019. Interest is added to this cost over the year within the past service cost line. The current service costs includes a prospective allowance for McCloud liabilities of 0.40% of Pensionable Pay over the period.

A small proportion (9%) of the Pension Fund's investments are in direct property valuations and pooled residential property funds. The impact of Covid 19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their valuation reports due to the possible impact of Covid 19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of these unquoted assets than would normally be the case. There is a risk that current valuations may be under or overstated in the accounts.

## North of Tyne Combined Authority Statement of Accounts 2019/20

The weighted average duration of the defined benefit obligation for scheme members is 29.3 years.

The principal assumptions used by the actuary have been:

|                                                      | Local Government |            |
|------------------------------------------------------|------------------|------------|
|                                                      | 31-Mar-19        | 31-Mar-20  |
| <b>Mortality assumptions:</b>                        |                  |            |
| Pensioner member aged 65 at accounting date (male)   | 21.8             | 21.8       |
| Pensioner member aged 65 at accounting date (female) | 24.9             | 25.0       |
| Active member aged 45 at accounting date (male)      | 23.4             | 23.5       |
| Active member aged 45 at accounting date (female)    | 26.7             | 26.8       |
| <b>Rate for discounting scheme liabilities</b>       | <b>% pa</b>      | <b>%pa</b> |
| Rate for inflation - Retail Price Index              | 2.50%            | 2.30%      |
| Rate of inflation - Consumer Price Index             | 2.10%            | 1.80%      |
| Rate of increase in pensions                         | 2.10%            | 1.80%      |
| Pension accounts revaluation rate                    | 2.10%            | 1.80%      |
| Rate of increase in salaries                         | 3.60%            | 3.30%      |

The approximate split of assets for the Fund as a whole is shown in the table below:

|                    | 31 March 2019 | 31 March 2020 |              |               |
|--------------------|---------------|---------------|--------------|---------------|
|                    | % Total       | % Quoted      | % Unquoted   | % Total       |
| Equity investments | 66.1%         | 48.0%         | 6.8%         | 54.8%         |
| Property           | 9.0%          | 0.0%          | 9.0%         | 9.0%          |
| Government bonds   | 3.9%          | 4.1%          | 0.0%         | 4.1%          |
| Corporate bonds    | 11.5%         | 15.3%         | 0.0%         | 15.3%         |
| Cash               | 3.9%          | 2.3%          | 0.0%         | 2.3%          |
| Other*             | 5.6%          | 8.5%          | 6.0%         | 14.5%         |
| <b>Total</b>       | <b>100.0%</b> | <b>78.2%</b>  | <b>21.8%</b> | <b>100.0%</b> |

\* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will generate a return in line with equities.

### Actual Return on Assets

|                                     | Local Government |            |
|-------------------------------------|------------------|------------|
|                                     | 31-Mar-19        | 31-Mar-20  |
|                                     | £000             | £000       |
| Interest Income on Assets           | -                | 3          |
| Remeasurement gain/(loss) on assets | -                | 386        |
| <b>Actual Return on Assets</b>      | <b>-</b>         | <b>389</b> |

**Sensitivity Analysis**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| <b>Discount rate assumption</b>                | <b>+0.1% p.a.</b> | <b>Base Figure</b> | <b>-0.1% p.a.</b> |
|------------------------------------------------|-------------------|--------------------|-------------------|
| <b>Adjustment to discount rate</b>             |                   |                    |                   |
| Present value of total obligation (£M)         | 0.884             | 0.910              | 0.937             |
| % change in present value of total obligation  | -2.9%             |                    | 3.0%              |
| Projected service cost (£M)                    | 0.428             | 0.445              | 0.462             |
| Approximate % change in projected service cost | -3.8%             |                    | 3.9%              |

| <b>Rate of general increase in salaries</b>    | <b>+0.1% p.a.</b> | <b>Base Figure</b> | <b>-0.1% p.a.</b> |
|------------------------------------------------|-------------------|--------------------|-------------------|
| <b>Adjustment to salary increase rate</b>      |                   |                    |                   |
| Present value of total obligation (£M)         | 0.910             | 0.910              | 0.910             |
| % change in present value of total obligation  | 0.0%              |                    | 0.0%              |
| Projected service cost (£M)                    | 0.445             | 0.445              | 0.445             |
| Approximate % change in projected service cost | 0.0%              |                    | 0.0%              |

| <b>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts</b> | <b>+0.1% p.a.</b> | <b>Base Figure</b> | <b>-0.1% p.a.</b> |
|------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|-------------------|
| <b>Adjustment to pension increase rate</b>                                                                                   |                   |                    |                   |
| Present value of total obligation                                                                                            | 0.937             | 0.910              | 0.884             |
| % change in present value of total obligation                                                                                | 3.0%              |                    | -2.9%             |
| Projected service cost (£M)                                                                                                  | 0.462             | 0.445              | 0.428             |
| Approximate % change in projected service cost                                                                               | 3.9%              |                    | -3.8%             |

| <b>Post retirement mortality assumption</b>           | <b>- 1 year</b> | <b>Base Figure</b> | <b>+ 1 year</b> |
|-------------------------------------------------------|-----------------|--------------------|-----------------|
| <b>Adjustment to mortality age rating assumption*</b> |                 |                    |                 |
| Present value of total obligation (£M)                | 0.938           | 0.910              | 0.882           |
| % change in present value of total obligation         | 3.1%            |                    | -3.1%           |
| Projected service cost (£M)                           | 0.463           | 0.445              | 0.427           |
| Approximate % change in projected service cost        | 4.0%            |                    | -4.0%           |

\* a rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them

**Note 20: Usable Reserves**

|                                  | Note | 31 March<br>2019*<br>£000 | 31 March<br>2020<br>£000 |
|----------------------------------|------|---------------------------|--------------------------|
| General Fund Balance             |      | (29,576)                  | (48,094)                 |
| Earmarked Reserves               | 21   | (7,039)                   | (13,473)                 |
| Capital Receipts Reserve         |      | -                         | -                        |
| Capital Grants Unapplied Reserve |      | (4,167)                   | (5,850)                  |
| <b>Total</b>                     |      | <b>(40,782)</b>           | <b>(67,417)</b>          |

\* The 2018/19 NTCA MIRS reflect the General Fund Balances and Earmarked Reserves combined, 2019/20 NTCA MIRS reflects the split of General Fund Balances and Earmarked Reserves with 2018/19 represented to show this split also.

**Earmarked Reserves** are amounts which the authority has chosen to set aside from the General Fund Balance to be used for specific purposes.

The **Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

The **Capital Grants Unapplied Reserve** holds the grants and contributions received towards capital projects for which the authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

**Note 21: Transfers (to)/From Earmarked Reserves**

This note sets out amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

|                                      | Balances Transferred from NECA | Transfers Out 2018/19 | Transfers In 2018/19 | Balance at 31 March 2019 | Transfers Out 2019/20 | Transfers In 2019/20 | Balance at 31 March 2020 |
|--------------------------------------|--------------------------------|-----------------------|----------------------|--------------------------|-----------------------|----------------------|--------------------------|
|                                      | £000                           | £000                  | £000                 | £000                     | £000                  | £000                 | £000                     |
| <b>General Fund Balances</b>         |                                |                       |                      |                          |                       |                      |                          |
| General Fund                         | 10,894                         | (1,251)               | -                    | 9,643                    | -                     | 1,048                | 10,691                   |
| <b>Total General Fund Balances</b>   | 10,894                         | (1,251)               | -                    | 9,643                    | -                     | 1,048                | 10,691                   |
| <b>General Fund Reserves</b>         |                                |                       |                      |                          |                       |                      |                          |
| Investment Fund Reserve              | -                              | -                     | 19,551               | 19,551                   | -                     | 17,289               | 36,840                   |
| Business Rates Pool                  | -                              | -                     | -                    | -                        | -                     | 4,909                | 4,909                    |
| Metro Reinvigoration Reserve         | 4,037                          | -                     | 22                   | 4,059                    | -                     | 34                   | 4,093                    |
| Metro Fleet Replacement              | 1,476                          | -                     | 1,488                | 2,964                    | -                     | 1,507                | 4,471                    |
| Strategic Reserve                    | -                              | -                     | 200                  | 200                      | -                     | -                    | 200                      |
| Grant Reserves                       | -                              | -                     | 198                  | 198                      | (17)                  | 182                  | 363                      |
| <b>Total General Fund Reserves</b>   | 5,513                          | -                     | 21,459               | 26,972                   | (17)                  | 23,921               | 50,876                   |
|                                      |                                |                       |                      |                          |                       |                      |                          |
| <b>Total Balances &amp; Reserves</b> | 16,407                         | (1,251)               | 21,459               | 36,615                   | (17)                  | 24,969               | 61,567                   |

**Note 22: Unusable Reserves****Summary**

|                                          | <b>31 March<br/>2019<br/>£000</b> | <b>31 March<br/>2020<br/>£000</b> |
|------------------------------------------|-----------------------------------|-----------------------------------|
| Capital Adjustment Account               | (36,456)                          | (38,174)                          |
| Financial Instruments Adjustment Account | 788                               | 425                               |
| Revaluation Reserve                      | (3,670)                           | (3,606)                           |
| Pension Reserve                          | -                                 | 285                               |
| <b>Total</b>                             | <b>(39,338)</b>                   | <b>(41,070)</b>                   |

**Capital Adjustment Account**

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The CAA is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The CAA is credited with the amounts set aside by the Combined Authority as finance for the costs of acquisition, construction and enhancement. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. The Adjustments between Accounting Basis and Funding Basis under Regulations Statement (Note 3) provides details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

|                                                                                                   | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|---------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| <b>Transfer from NECA (2018/19)/ Opening Balance 1 April 2019</b>                                 | <b>(37,748)</b>         | <b>(36,456)</b>         |
| <b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>         |                         |                         |
| Charges for depreciation and impairment of non current assets                                     | 3,213                   | 1,842                   |
| Write down of New Tyne Crossing deferred income balance                                           | (927)                   | (2,256)                 |
| Revenue expenditure funded from capital under statute                                             | 4,704                   | 8,881                   |
| Write down of long term debtors                                                                   | 725                     | 698                     |
| Adjusting amounts written out of the Revaluation Reserve                                          | (65)                    | (64)                    |
| <b>Capital financing applied in the year:</b>                                                     |                         |                         |
| Capital grants and contributions credited to the CIES that have been applied to capital financing | (5,185)                 | (9,351)                 |
| Statutory provision for the financing of capital investment                                       | (429)                   | (766)                   |
| Capital expenditure charged against the General Fund                                              | (19)                    | (4)                     |
| Debt redeemed using capital receipts                                                              | (725)                   | (698)                   |
| <b>Balance at 31 March</b>                                                                        | <b>(36,456)</b>         | <b>(38,174)</b>         |



### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. It provides a balancing mechanism between the different rates at which gains and losses (e.g. premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

|                                                                                                                                                      | 2018/19    | 2019/20    |
|------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
|                                                                                                                                                      | £000       | £000       |
| <b>Transferred from NECA/Opening Balance 1 April 2019</b>                                                                                            | <b>935</b> | <b>788</b> |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (147)      | (363)      |
| finance costs chargeable in the year in accordance with statutory requirements                                                                       |            |            |
| <b>Balance at 31 March</b>                                                                                                                           | <b>788</b> | <b>425</b> |

### Revaluation Reserve

The Revaluation Reserve (RR) contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised

The RR only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA.

|                                                                                                    | 2018/19        | 2019/20        |
|----------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                    | £000           | £000           |
| <b>Transferred from NECA/Opening Balance 1 April 2019</b>                                          | <b>(3,735)</b> | <b>(3,670)</b> |
| Difference between fair value depreciation and historical cost depreciation written off to the CAA | 65             | 64             |
| <b>Balance at 31 March</b>                                                                         | <b>(3,670)</b> | <b>(3,606)</b> |

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|                                                                                                                                          | 2018/19 | 2019/20    |
|------------------------------------------------------------------------------------------------------------------------------------------|---------|------------|
|                                                                                                                                          | £000    | £000       |
| <b>Opening Balance 1 April</b>                                                                                                           | -       | -          |
| Remeasurements of the net defined benefit liability (asset)                                                                              | -       | 196        |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | -       | 269        |
| Employer's pension contributions and direct payments to pensioners payable in the year                                                   | -       | (178)      |
| Interest expense on net defined liability/ (asset)                                                                                       | -       | (2)        |
| <b>Balance at 31 March</b>                                                                                                               | -       | <b>285</b> |

**Note 23: Capital Expenditure and Capital Financing**

|                                                                                        | 2018/19<br>£000 | 2019/20<br>£000 |
|----------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Opening Capital Financing Requirement 1 April</b>                                   | <b>86,805</b>   | <b>86,352</b>   |
| <b>Capital Investment</b>                                                              |                 |                 |
| Property, Plant and Equipment                                                          | 1,201           | 1,373           |
| Revenue Expenditure Funded from Capital Under Statute                                  | 4,704           | 8,881           |
| <b>Sources of Finance</b>                                                              |                 |                 |
| Capital receipts - repayment of principal from long term debtors                       | (725)           | (698)           |
| Government Grants and other contributions                                              | (5,185)         | (9,351)         |
| <b>Sums set aside from revenue</b>                                                     |                 |                 |
| Direct revenue contributions                                                           | (19)            | (4)             |
| Minimum Revenue Provision                                                              | (307)           | (766)           |
| Additional Voluntary Provision                                                         | (122)           |                 |
| <b>Closing Capital Financing Requirement 31 March</b>                                  | <b>86,352</b>   | <b>85,787</b>   |
| Decrease in underlying need to borrow (unsupported by government financial assistance) | (453)           | (565)           |
| <b>Decrease in Capital Financing Requirement</b>                                       | <b>(453)</b>    | <b>(565)</b>    |

**Note 24: Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities**

|                                                                                                                                              | 2018/19<br>£000 | 2019/20<br>£000 |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Surplus/(Deficit) on the provision of services                                                                                               | 22,621          | 28,563          |
| <b>Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements</b>                                                      |                 |                 |
| Depreciation and Impairment                                                                                                                  | 3,213           | 1,842           |
| (Increase)/Decrease in Creditors                                                                                                             | 3,245           | (2,862)         |
| Increase/(Decrease) in Debtors                                                                                                               | (483)           | (4,418)         |
| Movement in Pension Liability                                                                                                                | -               | 89              |
| Other non-cash items charged to the net surplus or deficit on the provision of services                                                      | (927)           | (2,239)         |
|                                                                                                                                              | <b>5,048</b>    | <b>(7,587)</b>  |
| <b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b> |                 |                 |
| Capital grants credited to surplus/(deficit) on provision of services                                                                        | (8,807)         | (11,034)        |
| <b>Net cash flow from operating activities</b>                                                                                               | <b>18,862</b>   | <b>9,942</b>    |

The cash flows for operating activities include the following items:

|                   | 2018/19<br>£000 | 2019/20<br>£000 |
|-------------------|-----------------|-----------------|
| Interest received | 717             | 1,080           |
| Interest paid     | (1,598)         | (3,289)         |

**Note 25: Cash Flow Statement - Investing Activities**

|                                                                                      | 2018/19<br>£000 | 2019/20<br>£000 |
|--------------------------------------------------------------------------------------|-----------------|-----------------|
| Purchase of property, plant and equipment, investment property and intangible assets | (1,201)         | (1,371)         |
| Purchase of short-term and long-term investments                                     | (26,983)        | (80,393)        |
| Proceeds from short-term and long-term investments                                   | 20,074          | 80,393          |
| Other receipts from investing activities                                             | 8,307           | 3,022           |
| <b>Net cash flows from investing activities</b>                                      | <b>197</b>      | <b>1,651</b>    |

**Note 26: Cash Flow Statement - Financing Activities**

|                                                 | 2018/19<br>£000 | 2019/20<br>£000 |
|-------------------------------------------------|-----------------|-----------------|
| Repayments of short and long-term borrowing     | (147)           | 1,963           |
| <b>Net cash flows from financing activities</b> | <b>(147)</b>    | <b>1,963</b>    |

**Note 26a: Reconciliation of liabilities arising from Financing activities**

|                                                                | 1 April 2019<br>£000 | Financing<br>Cash Flows<br>£000 | Changes which are not<br>financing cash flows |               | 31 March<br>2020<br>£000 |
|----------------------------------------------------------------|----------------------|---------------------------------|-----------------------------------------------|---------------|--------------------------|
|                                                                |                      |                                 | Acquisition<br>£000                           | Other<br>£000 |                          |
| Long Term Borrowings                                           | (73,648)             | (1,947)                         | -                                             | -             | (75,595)                 |
| Short Term Borrowings                                          | (1,024)              | (0)                             | -                                             | (8)           | (1,032)                  |
| <b>Total Liabilities arising from<br/>Financing Activities</b> | <b>(74,672)</b>      | <b>(1,947)</b>                  | -                                             | <b>(8)</b>    | <b>(76,627)</b>          |

|                                                                | 1 April 2018<br>£000 | Financing<br>Cash Flows<br>£000 | Changes which are not<br>financing cash flows |                 | 31 March<br>2019<br>£000 |
|----------------------------------------------------------------|----------------------|---------------------------------|-----------------------------------------------|-----------------|--------------------------|
|                                                                |                      |                                 | Acquisition<br>£000                           | Other<br>£000   |                          |
| Long Term Borrowings                                           | -                    | (148)                           | -                                             | (73,501)        | (73,648)                 |
| Short Term Borrowings                                          | -                    | 6                               | -                                             | (1,030)         | (1,024)                  |
| <b>Total Liabilities arising from<br/>Financing Activities</b> | -                    | <b>(141)</b>                    | -                                             | <b>(74,531)</b> | <b>(74,672)</b>          |

## Note 27: Accounting Standards Issued, Not Yet Adopted

### Impact of the adoption of new accounting standards on the 2019/20 Financial Statements

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

**IFRS 16** Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition exemption for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2020. Work to date has shown that NECA leases identified will not have a material effect on the 2020/21 statements.

**IAS 19** Employee Benefits specifies how local authorities account for a defined benefit plan. When a change to a plan i.e. an amendment, curtailment or settlement, takes place, IAS 19 requires the local authority to remeasure its net defined liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

**IAS 28** Investments in Associates and Joint Ventures requires an investor to account for its investment in associates and joint ventures using the equity method. This does not apply to the North East Combined Authority.

Annual Improvements to IFRS Standards 2015-2017 Cycle have been issued as part of the International Accounting Standards Board process for maintaining IFRS Standards. Amendments either clarify the wording of an IFRS Standard or correct oversights or conflicts between existing requirements of IFRS Standards.

#### **IFRS 3 Business Combinations**

Clarifies that when a local authority obtains control of a joint operation it remeasures interests that were previously held with that business.

#### **IFRS 11 Joint Arrangements**

Clarifies that when a local authority obtains joint control of a joint operation it does not remeasure interests that were previously held with that business.

#### **IAS 12 Income Taxes**

Clarifies that local authorities should account for all income tax consequences of dividend payments in the same way.

#### **IAS 23 Borrowing Costs**

Clarifies that local authorities should treat any borrowings originally made to develop an asset as part of general borrowings, when the asset is ready for its intended use or sale.

Most of these standards will not apply to the Authority or the Group. For those that do apply, they are not anticipated to have a material impact on the financial statements.

## Note 28: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these accounts, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

### Service Concession Arrangements

The Local Authority Accounting Code of Practice requires arrangements where private sector contractors provide a service for a period using a dedicated asset to be assessed under an application of the principles within IFRIC 12. There are two criteria used to determine whether arrangements fall under the scope of IFRIC 12:

- The public sector entity controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price.
- The public sector entity controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For arrangements falling under the scope of IFRIC 12, the public sector entity will recognise the cost of the Property, Plant and Equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing concession has been judged to meet both of the IFRIC 12 criteria and, accordingly, the cost of the new Tunnel and the refurbishment of the existing Tunnel are recorded within the Authority's Property, Plant and Equipment on the Balance Sheet.

### Transferred Assets and Liabilities in Local Government Pension Scheme transferred to TT2 Ltd

Assets and liabilities relating to membership accrued before 1 February 2008 transferred to TT2 Ltd on commencement of the concessionaire agreement. The project agreement provides that should there be a shortfall in the TT2 fund at the actuarial valuation, which can be attributed to pre-2008 benefits, the authority will be required to reimburse the shortfall. As a result of the most recent triennial valuation, there is currently no reimbursement due.

### Accounting for the North East Joint Transport Committee

As set out in Note 1, on 2 November 2018 the boundaries of NECA changed and the North East Joint Transport Committee was created. The assets and liabilities which transferred from the former Tyne and Wear Integrated Transport Authority to NECA on its creation in April 2014 are now jointly owned by NECA and the NTCA, and assets, liabilities, income and expenditure (from the date of establishment) must be divided between the accounts of the two Combined Authorities.

For many of the assets and liabilities and revenue streams, these cannot be separated into those which relate to the authorities which are part of NECA and those which relate to the authorities which are part of NTCA. As a result, these balances have been apportioned between the two Combined Authorities on the basis of Tyne and Wear population.

**Note 29: Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2020 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

| Item               | Uncertainties                                                                                                                                                                                                                                                                                                                                                                                           | Effect if Actual Results Differ from Assumptions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. | The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2020 and the projected service cost for the year ending 31 March 2021 are set out below.<br><br>Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would decrease the present value of the total obligation to <b>£0.884m</b> , a variance of <b>£0.026m</b> , whereas a decrease of (0.1%) p.a. results in an increase to <b>£0.937m</b> . The percentage change in the present value of the total obligation would be <b>(2.9%) and 3%</b> respectively. |
|                    |                                                                                                                                                                                                                                                                                                                                                                                                         | Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption: an adjustment to the pension increase rate of +0.1% p.a. would increase the present value of the total obligation to <b>£0.937m (variance of £0.27m)</b> , whereas a decrease of (0.1%) p.a. results in a decrease to <b>£0.884m, a variance of £0.26m</b> . The percentage change in the present value of the total obligation would be <b>3.0% and (2.9%)</b> respectively.                                                                                                        |
|                    |                                                                                                                                                                                                                                                                                                                                                                                                         | Post retirement mortality assumption: an adjustment to the mortality age rating assumption of 1 year would change the present value of the total obligation to <b>£0.938m, an increase of £0.028m</b> , whereas a adjustment of +1 year results in a reduction to <b>£0.882m, a variance of £0.028m</b> . The percentage change in the present value of the total obligation would be <b>3.1% and (3.1%)</b> respectively.                                                                                                                                                                                             |



|                                                              |                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Tyne and Wear Pension Fund Accounts - Covid 19 Impact</p> | <p>Tyne &amp; Wear Pension Fund's accounts reference a material uncertainty in respect to direct property valuations and pooled residential property funds</p>                                                                                                                                     | <p>Fund's investments are in direct property valuations and pooled residential property funds. The impact of Covid 19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their valuation reports due to the possible impact of Covid 19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of these unquoted assets than would normally be the case. There is a risk that current valuations may be under or</p> |
| <p>Brexit</p>                                                | <p>The outcome of Brexit negotiations has implications for each local authority in the sense that any subsequent volatility in stock markets, exchange rates, interest rates and future availability of funding could potentially impact on amounts disclosed within the financial statements.</p> | <p>Areas impacted could include:</p> <ul style="list-style-type: none"> <li>- The availability of grant funding and impact on other funding streams.</li> <li>- The fair value of long-term borrowing (but not the principal sum or interest payable).</li> <li>- The liability related to defined benefit pension schemes, which is dependent on a large number of factors including investment performance, bond yields and inflation.</li> <li>- Unusable reserves - any movement in the liability related to defined benefit pension schemes will be offset within unusable reserves.</li> </ul>                                                                                                                             |
| <p>Covid-19</p>                                              | <p>Covid-19 impacted on the Combined Authority from mid-March 2020. The implications for the Combined Authority are primarily in relation to reduced interest rates available on investment income.</p>                                                                                            | <p>Although interest rates with the Debt Management Office (DMO) reduced on average by 5 base points, the Combined Authority started to invest with other Local Authorities (within their Treasury Management Strategy guidelines) from March 2020, which provided higher interest rates to minimise loss of investment income.</p>                                                                                                                                                                                                                                                                                                                                                                                              |

## Note 30: Accounting Policies

### 1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code requires that a Local Authority's Statement of Accounts is prepared on a 'going concern' basis, that is, the accounts are based on the assumption that the Authority will continue in operational existence for the foreseeable future.

### 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payments on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Authority has a policy of not accruing for manual sundry creditor or sundry debtor provisions for less than £1,000, other than in exceptional circumstances.

### 3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than 90 days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### 4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

## 5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise the levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## 7. Employee Benefits

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. Due to the small number of employees the Authority has, the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year is immaterial and therefore an accrual will not be made. This approach will be reviewed each year to ensure it is still an appropriate treatment.

## Termination Benefits

Termination benefits are amounts which would be payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

No such amounts are payable in 2019/20.

## 8. Post-Employment Benefits

NTCA and NECA is a member of the Local Government Pension Scheme, which provides members with defined benefits relating to pay and service. Its pension obligations relate primarily to former employees.

The relevant fund is the Tyne and Wear Pension Fund, administered by South Tyneside Metropolitan Borough Council, from whom a copy of the annual report may be obtained. The Fund website may be visited at [www.twpf.info](http://www.twpf.info).

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate determined annually, based on the indicative rate of return on high quality corporate bonds.
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - Quoted securities at current bid price.
  - Unquoted securities based on professional estimate.
  - Unitised securities at current bid price.
  - Property at market value.

The change in the net pensions liability is analysed into the following components:

- a) Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the NTCA and NECA Corporate line.

b) Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the NTCA and NECA Corporate line.

c) Net interest on the net defined liability, i.e. net interest expense for the Authority the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

d) Remeasurements comprising:

- the return on plan assets, excluding amounts included in net interest on the net defined benefit liability, charged to the Pensions Reserve as Other Comprehensive Income & Expenditure
- actuarial gains and losses, changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

e) Contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details are provided in Note 19 to the accounts.

## **9. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified.

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 10. Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

## 11. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **Financial Assets**

Financial assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument and are classified into three types using an approach that is based on the business model for holding the financial assets and their cashflow characteristics.

- Amortised Cost - assets held within a business model with the sole objective of collecting contractual cash flows on specified dates that are solely payments of principal and interest.
- Fair Value through other comprehensive income (FVOCI) - assets held within a business model with the objective to either sell the asset or collect contractual cash flows on specified dates that are solely payments of principal and interest.
- Fair value through profit and loss (FVPL) – objectives are achieved by any other means than collecting contractual cash flows.

The Authority can at initial recognition of the asset override the above classifications in the following circumstances and the decision is irrevocable:

- An equity instrument can be elected into FVOCI rather than FVPL if it is not held for trading.
- Any financial asset can be designated as measured at FVPL if this removes any deemed inconsistency in measurement by treating assets based upon the above classification.

## **Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the CIES to net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Fair Value Through Other Comprehensive Income**

Changes in fair value are recorded against Other Comprehensive Income and Expenditure gain/loss by an entry in the Financial Instrument Revaluation Reserve through the Movement in Reserves Statement.

However, interest is charged to the Surplus/Deficit on the Provision of Services as though the asset had been measured at amortised cost.

Where assets are identified as impaired, because of a likelihood arising from a future event that cashflows due under the contract will not be made, a charge for the value of the impairment is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with a corresponding entry being recognised in Other Comprehensive Income through the Financial Instruments Revaluation Reserve on the Balance Sheet.

When the asset is de-recognised the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from the Financial Instrument Revaluation Reserve to the Surplus/Deficit on the Provision of Services as a reclassification adjustment.

### **Fair Value through Profit and Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices - the market price
- Other instruments with fixed and determinable payments - discounted cash flow analysis.



The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 12. Government Grants & Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments.
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions and capital grants used to fund Revenue Expenditure Financed from Capital Under Statute) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## 13. Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets - depreciated historical cost.
- Assets Under Construction - cost
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

The following useful economic lives are used for NECA's PPE assets: Tyne Tunnels 120 years, Tunnels Vehicles Plant and Equipment 30 years.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. The work is carried out on behalf of the Authority by the Property Services division of Newcastle City Council. These revaluations are detailed within the Notes to the Core Financial Statements. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **De Minimis Levels**

The use of a deminimis level for capital expenditure means that in the above categories assets below the deminimis level are charged to the revenue account and are not classified as capital expenditure, i.e. the asset is not included in the balance sheet unless they are part of an overall project costing more than the established deminimis level. For all capital expenditure the de-minimis level is £10,000.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment assets (except vehicles) is calculated by taking the asset value at 31 March 2020, divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. In the most recent valuations of the Tyne Tunnels it was assessed that, although Mechanical and Electrical Services and the Toll Plazas have an economic life of 20 years, these formed less than 20% of the overall valuation and have not therefore been classed as significant components.

### Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the general fund, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## 14. Public Private Partnership (PPP) Contracts

Public Private Partnerships are agreements to receive services and provide capital jointly with the private sector. The New Tyne Crossing Partnership is judged to be such an arrangement.

The Code requires these arrangements to be assessed under an application of the principles within International Financial Reporting Interpretation Committee 12 (IFRIC 12) 'Service Concessions'.

Arrangements fall in scope of the Application where both of the following 'IFRIC 12' criteria are met:

- The public sector entity ('grantor') controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For any service concession within the scope of the Application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria, and NECA therefore recognises the costs of the new tunnel on its Balance Sheet.

In most arrangements within the scope of the Application, the grantor will account for the arrangement's financing by recording and measuring a long term liability in accordance with IAS 17. This treatment reflects an obligation to pay the operator for the full value of the asset along with the operator's cost of finance. However, in the New Tyne Crossing project, TT2 Ltd. (the Operator) receives a defined proportion of the total toll revenue and uses this to meet its cost of constructing and operating both vehicle tunnels. NECA may therefore have no long term obligation to transfer economic resources to TT2, and hence should not recognise a liability.

The provisions within the Payment Mechanism for payment of toll revenue to the operator are as follows:

- In each month NECA pays a Shadow Toll to the Operator; this being a fixed amount per vehicle, adjusted for changes in RPI;
- Throughout the Term, Formula Tolls for each vehicle type are defined to equal the corresponding vehicle Shadow Tolls;
- The Formula Tolls are the initially-defined sequence of tolls to be charged to users and collected by NECA. If NECA varies a Real Toll from its corresponding Formula Toll beyond a certain level, the Operator is compensated for the effect of this adjustment on demand.

NECA therefore has no exposure to any risk and reward associated with the Operator revenue, but only an executor contract to transfer the Operator's share of total revenues to the operator as it is collected.

It therefore follows from this conclusion that NECA has no long-term obligation to transfer economic resources to the Operator, since the Operator revenue is in substance transferred directly to it. NECA therefore should not recognise a long term liability to finance the project assets.

In relation to such an arrangement, the Code and the accompanying notes do not provide clear guidance. However, the guidance notes accompanying the Code suggest that the credit that matches the asset should be a deferred income balance. NECA has therefore recognised a deferred credit balance, added to as each of Phase 1 and Phase 2 of the project were completed, and equal to the fair value of the asset addition under each Phase. This balance is then released to the Comprehensive Income and Expenditure Statement over the life of the contract.

## 15. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For example, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

### **16. Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. There are no contingent liabilities disclosed in 2019/20.

### **17. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the levy for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

### **18. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the levy.

### **19. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue & Customs. VAT receivable is excluded from income.

## **20. Overheads**

The costs of central support services e.g. Finance and Legal Services have been allocated to NECA on the basis of Service Level Agreements in accordance with guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA). A percentage is allocated to the different areas of NECA activity (e.g. Transport, Economic Development, Corporate) in accordance with estimated work done on each area.

## **21. Tyne Tunnels Income**

The majority of the income from tolls is received on a cash basis. Accruals are made to apportion income credited to the bank account to the correct financial year. Prepayments on permit accounts are also received, and the balance on these accounts are accrued as income received in advance at the year end.

## **22. Group Accounts**

NECA is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 to produce Group Accounts to include services provided to Council Tax payers in the North East by organisations other than the Authority itself in which the Authority has an interest.

Although there has been no definitive ruling by CIPFA or central government in relation to Combined Authorities and Passenger Transport Executives, it is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of NECA and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

For the 2019/20 accounts, NECA has fully complied with the requirements of the Code, providing Group figures for 2019/20 and comparators for 2018/19. From 2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.

## **23. Joint Transport Committee**

On 2 November 2018, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) changed the boundaries of NECA and established the new mayoral combined authority.

The reconfiguration of NECA has been classed as a transfer by absorption meaning:

- NECA has accounted for its control up to the date of the reconfiguration albeit with clear disaggregation of the financial results relating to the functions being transferred; and
- Assets and liabilities transferred at book value.

The Order establishing the NTCA also required the seven local authorities to establish the Joint Transport Committee (JTC). Under the CIPFA Code, the JTC meets the definition of a 'joint operation', which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues and expenses held or incurred jointly in their own single entity financial statements.

In order to comply with the CIPFA Code, NECA must:

- Split the revenues between that which relates to NECA and NTCA. In this case the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).

- The revenues which relate to Tyne and Wear must then be divided into that which relates wholly to Newcastle and/or North Tyneside (allocated to NTCA), that which relates wholly to Gateshead, South Tyneside and/or Sunderland (allocated to NECA) and that which relates to activities not wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area provides that "those costs and liabilities which are attributable to the exercise of functions exclusively in the area of the Tyne and Wear Authorities...shall be shared between the Tyne and Wear Authorities on a per capita basis relating to their resident populations at that time."

By similar rationale and argument, the division of assets, liabilities and expenditure incurred will also be divided on this basis.



## **Note 31: Events After the Balance Sheet Date**

### **Adjusting events after the Balance Sheet date**

Where events take place after 31 March which provide information about conditions existing at 31 March, the financial statements and notes are adjusted to reflect the impact of this information. No such events have taken place.

### **Non-adjusting Events after the Balance Sheet date**

Where events take place after 31 March which do not relate to conditions at 31 March but which provide information that is relevant to an understanding of the Authority's financial position, the financial statements and notes are not adjusted but the relevant information is disclosed. A key non-adjusting event after the balance sheet date is the transfer of the North East LEP across from NECA as accountable body to NTCA being the accountable body as of 1st April 2020. The 20220/21 NTCA Statement of Accounts will include all North East LEP income and expenditure and assets and liabilities consolidated within the NTCA accounts.

**3.0 Group Financial Statements and Explanatory Notes**

| <b>Contents</b>                                                                                                                                          | <b>Page</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>3.0 Group Financial Statements and Explanatory Notes</b>                                                                                              |             |
| 3.1 Group Movement in Reserves Statement                                                                                                                 | 66          |
| 3.2 Group Comprehensive Income and Expenditure Statement                                                                                                 | 67          |
| 3.3 Group Balance Sheet                                                                                                                                  | 68          |
| 3.4 Group Cash Flow Statement                                                                                                                            | 69          |
| 3.5 Explanatory Notes to the Group Financial Statements                                                                                                  |             |
| G1 Group Accounts                                                                                                                                        | 70          |
| G2 Expenditure and Funding Analysis                                                                                                                      | 71          |
| G2a Income and Expenditure Analysed by Nature                                                                                                            | 73          |
| G3 Financing and Investment Income and Expenditure                                                                                                       | 74          |
| G4 Taxation and Non-specific Grant Income                                                                                                                | 74          |
| G5 Grants and Contributions                                                                                                                              | 75          |
| G6 Property, Plant and Equipment                                                                                                                         | 78          |
| G7 Intangible Assets                                                                                                                                     | 77          |
| G8 Financial Instruments                                                                                                                                 | 79          |
| G9 Short Term Debtors                                                                                                                                    | 82          |
| G10 Cash and Cash Equivalents                                                                                                                            | 82          |
| G11 Short Term Creditors                                                                                                                                 | 82          |
| G12 Defined Benefit Pension Schemes                                                                                                                      | 83          |
| G13 Deferred Taxation                                                                                                                                    | 89          |
| G14 Useable Reserves                                                                                                                                     | 89          |
| G15 Unusable Reserves                                                                                                                                    | 90          |
| G16 Adjustments to net surplus or deficit on the provision<br>of services for non cash movements and items that<br>are Investing or Financing activities | 93          |
| G17 Notes to Cash Flow - Investing Activities                                                                                                            | 93          |
| G18 Notes to Cash Flow - Financing Activities                                                                                                            | 94          |
| G19 Capital Expenditure and Capital Financing                                                                                                            | 95          |
| G20 Prior Period Adjustments                                                                                                                             | 96          |

## 3.1 Group Movement in Reserves Statement

|                                                                                                              | NTCA/NECA<br>Usable<br>Reserves | NTCA/NECA<br>Unusable<br>Reserves | Total NECA<br>Reserves | Authority<br>Share of<br>Nexus | Total Group<br>Reserves |
|--------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------|------------------------|--------------------------------|-------------------------|
|                                                                                                              | £000                            | £000                              | £000                   | £000                           | £000                    |
| <b>Transfer of Services to the NTCA at<br/>2 November 2018</b>                                               | <b>(16,951)</b>                 | <b>(40,548)</b>                   | <b>(57,499)</b>        | <b>(195,896)</b>               | <b>(253,395)</b>        |
| <b>Balance at 2 November 2018</b>                                                                            | <b>(16,951)</b>                 | <b>(40,548)</b>                   | <b>(57,499)</b>        | <b>(195,896)</b>               | <b>(253,395)</b>        |
| Total Comprehensive Income and<br>Expenditure                                                                | (22,621)                        | -                                 | (22,621)               | 579                            | (22,042)                |
| Adjustments between accounting basis<br>& funding basis under regulations                                    | (1,210)                         | 1,210                             | -                      | -                              | -                       |
| Net (Increase)/Decrease before<br>transfers to Earmarked Reserves                                            | <b>(23,831)</b>                 | <b>1,210</b>                      | <b>(22,621)</b>        | <b>579</b>                     | <b>(22,042)</b>         |
| Transfers (To)/From Earmarked<br>Reserves                                                                    |                                 |                                   | -                      |                                | -                       |
| <b>(Increase)/Decrease in 2018/19</b>                                                                        | <b>(23,831)</b>                 | <b>1,210</b>                      | <b>(22,621)</b>        | <b>579</b>                     | <b>(22,042)</b>         |
| <b>Balance at 31 March 2019 carried<br/>forward</b>                                                          | <b>(40,782)</b>                 | <b>(39,338)</b>                   | <b>(80,120)</b>        | <b>(195,317)</b>               | <b>(275,437)</b>        |
| Total Comprehensive Income and<br>Expenditure                                                                | (28,563)                        | 196                               | (28,367)               | (14,031)                       | (42,398)                |
| Adjustments between accounting basis<br>& funding basis under regulations (prior<br>to transfer of services) | 1,928                           | (1,928)                           | -                      | -                              | -                       |
| Net (Increase)/Decrease before<br>transfers to Earmarked Reserves                                            | <b>(26,635)</b>                 | <b>(1,732)</b>                    | <b>(28,367)</b>        | <b>(14,031)</b>                | <b>(42,398)</b>         |
| <b>(Increase)/Decrease in 2019/20</b>                                                                        | <b>(26,636)</b>                 | <b>(1,732)</b>                    | <b>(28,368)</b>        | <b>(14,031)</b>                | <b>(42,398)</b>         |
| <b>Balance at 31 March 2020 carried<br/>forward</b>                                                          | <b>(67,417)</b>                 | <b>(41,070)</b>                   | <b>(108,487)</b>       | <b>(209,348)</b>               | <b>(317,835)</b>        |

## 3.2 Group Comprehensive Income and Expenditure Statement

| 2018/19           |                 |                 |                                                        | 2019/20 |                   |                  |                 |
|-------------------|-----------------|-----------------|--------------------------------------------------------|---------|-------------------|------------------|-----------------|
| Gross Expenditure | Gross Income    | Net Expenditure |                                                        | Note    | Gross Expenditure | Gross Income     | Net Expenditure |
| £000              | £000            | £000            |                                                        |         | £000              | £000             | £000            |
|                   |                 |                 | <b>Continuing NTCA Services</b>                        |         |                   |                  |                 |
| 3                 | -               | 3               | Investment                                             |         | 735               | -                | 735             |
| 528               | (371)           | 157             | Corporate Costs                                        |         | 3,813             | (6,429)          | (3,622)         |
| -                 | -               | -               | Mayors Office                                          |         |                   |                  | 207             |
| -                 | -               | -               | Elections                                              |         |                   |                  | 1,045           |
| -                 | -               | -               | Adult Education Budget                                 |         |                   |                  | (246)           |
| -                 | -               | -               | Transport - Retained Levy Budget                       |         | 114               | -                | 114             |
| -                 | -               | -               | Transport - Northumberland                             |         | 6,094             | -                | 6,094           |
| -                 | -               | -               | Transport - Tyne and Wear                              |         | 72,721            | (35,342)         | 37,378          |
| -                 | -               | -               | Transport - Other                                      |         | 9,336             | (10,821)         | (1,485)         |
| -                 | -               | -               | Transport - Tyne Tunnels                               |         | 11,331            | (14,884)         | (3,553)         |
| <b>531</b>        | <b>(371)</b>    | <b>160</b>      | <b>Cost of Services from Continuing Services</b>       |         | <b>104,143</b>    | <b>(67,476)</b>  | <b>36,667</b>   |
|                   |                 |                 | <b>Services transferred from NECA</b>                  |         |                   |                  |                 |
| 2,561             | -               | 2,561           | Transport - Northumberland                             |         | -                 | -                | -               |
| 44                | -               | 44              | Transport - Retained Levy Budget                       |         | -                 | -                | -               |
| 32,096            | (14,763)        | 17,333          | Transport - Tyne and Wear                              |         | -                 | -                | -               |
| 3,661             | (8,785)         | (5,124)         | Transport - Other                                      |         | -                 | -                | -               |
| 6,993             | (4,989)         | 2,004           | Transport - Tyne Tunnels                               |         | -                 | -                | -               |
| <b>45,886</b>     | <b>(28,908)</b> | <b>16,978</b>   |                                                        |         | <b>104,143</b>    | <b>(67,476)</b>  | <b>36,668</b>   |
|                   |                 |                 | <b>Financing and Investment Income and Expenditure</b> | G3      |                   |                  |                 |
| -                 | (2)             | (2)             | - From continuing services                             |         | 7,513             | (4,046)          | 3,467           |
| 1,984             | (565)           | 1,419           | - From services transferred from NECA                  |         | -                 | -                | -               |
|                   |                 |                 | <b>Taxation and Non-Specific Grant Income</b>          | G4      |                   |                  |                 |
| -                 | (20,091)        | (20,091)        | - From continuing services                             |         | -                 | (75,608)         | (75,608)        |
| -                 | (14,825)        | (14,825)        | - From services transferred from NECA - Levy           |         | -                 | -                | -               |
| -                 | (3,690)         | (3,690)         | Capital Grants (non-specific) - Nexus                  |         | -                 | -                | -               |
| <b>93,756</b>     | <b>(96,989)</b> | <b>(3,233)</b>  | <b>(Surplus)/Deficit on Provision of Services</b>      |         | <b>111,657</b>    | <b>(147,129)</b> | <b>(35,473)</b> |
|                   |                 | (95)            | Taxation of Group Entities                             |         |                   | 93               | 93              |
|                   |                 | (3,328)         | <b>Group (Surplus)/Deficit</b>                         |         |                   |                  | <b>(35,380)</b> |
|                   |                 | (1,736)         | Re-measurement of the defined benefit liability        | G12     |                   |                  | (6,233)         |
|                   |                 | -               | Gains on Revaluation of Property                       |         |                   |                  | (785)           |
|                   |                 | <b>(5,064)</b>  | <b>Total Comprehensive Income and Expenditure</b>      |         |                   |                  | <b>(42,398)</b> |

## 3.3 Group Balance Sheet

| 31 March 2019    |                                   | Note | 31 March 2020    |
|------------------|-----------------------------------|------|------------------|
| £000             |                                   |      | £000             |
| 370,855          | Property, Plant and Equipment     | G6   | 380,884          |
| 1,178            | Intangible Assets                 | G7   | 1,988            |
| -                | Long Term Debtors                 |      | -                |
| -                | Long Term Investments             |      | -                |
| <b>372,033</b>   | <b>Long Term Assets</b>           |      | <b>382,872</b>   |
| 27,720           | Short Term Investments            | G8   | 35,580           |
| 6,935            | Short Term Debtors                | G9   | 13,334           |
| 37,290           | Cash and Cash Equivalents         | G10  | 55,830           |
| 1,309            | Inventories                       |      | 1,596            |
| <b>73,254</b>    | <b>Current Assets</b>             |      | <b>106,340</b>   |
| (1,023)          | Short Term Borrowing              | G8   | (1,032)          |
| (14,315)         | Short Term Creditors              | G11  | (18,543)         |
| (503)            | Grants Receipts in Advance        | G5   | (427)            |
| (2,255)          | Public Private Partnerships       |      | (2,256)          |
| (15)             | Other Current Liabilities         |      | -                |
| <b>(18,111)</b>  | <b>Current Liabilities</b>        |      | <b>(22,258)</b>  |
| (40,585)         | New Tyne Crossing Deferred Income |      | (38,344)         |
| (73,508)         | Long Term Borrowing               | G8   | (75,595)         |
| (100)            | Grants Receipts in Advance        | G5   | -                |
| (33,461)         | Pension Liability                 | G12  | (30,826)         |
| (2,036)          | Provisions                        |      | (2,305)          |
| (2,049)          | Deferred Taxation                 | G13  | (2,049)          |
| <b>(151,739)</b> | <b>Long Term Liabilities</b>      |      | <b>(149,119)</b> |
| <b>275,437</b>   | <b>Net Assets</b>                 |      | <b>317,835</b>   |
| (49,877)         | Usable Reserves                   | G14  | (83,614)         |
| (225,560)        | Unusable Reserves                 | G15  | (234,221)        |
| <b>(275,437)</b> | <b>Total Reserves</b>             |      | <b>(317,835)</b> |

## Chief Finance Officer Certificate

I certify that the accounts set out on pages 65 to 96 give a true and fair view of the financial position of the North of Tyne Combined Authority Group as at the 31 March 2020.

Signed: Janice Gillespie, Chief Finance Officer

## 3.4 Group Cash Flow Statement

| 2018/19<br>£000 |                                                                                                                                       | Note | 2019/20<br>£000 |
|-----------------|---------------------------------------------------------------------------------------------------------------------------------------|------|-----------------|
| 20,307          | Surplus/(Deficit) on the provision of services                                                                                        | G16  | 35,380          |
| 12,973          | Adjustments to net surplus or deficit on the provision of services for non-cash movements                                             | G16  | 12,144          |
| (12,854)        | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | G16  | (33,258)        |
| 215             | Financing costs and investment                                                                                                        | G16  |                 |
| <b>20,641</b>   | <b>Net cash flows from Operating Activities</b>                                                                                       | G16  | <b>14,266</b>   |
| (593)           | Investing Activities                                                                                                                  | G17  | 2,311           |
| (999)           | Financing Activities                                                                                                                  | G18  | 1,963           |
| <b>19,049</b>   | <b>Net (Decrease)/Increase in cash and cash equivalents</b>                                                                           |      | <b>18,540</b>   |
| 18,241          | Cash and cash equivalents at the beginning of the reporting period                                                                    |      | 37,290          |
| <b>37,290</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>                                                                   | G10  | <b>55,830</b>   |

### 3.5 Explanatory Notes to the Group Financial Statements

#### G1 Group Accounts

Under 9.1.17 of the Code of Practice for Local Authority Accounting 2019/20, authorities with interests in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

The Group Accounts include the accounts of NEXUS (in relation only to the proportion relating to the North of Tyne Combined Authority population basis), and have been prepared on a consolidation basis. The accounting policies adopted by Nexus are largely aligned with those of NECA and NTCA with the following minor differences:

#### Deferred Taxation

NTCA/NECA does not require a policy on Deferred Taxation. Deferred Taxation (which arises from the differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated by Nexus on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

#### Property, Plant and Equipment and Intangible Assets

Nexus uses the following estimated useful lives for each class of asset:

- Freehold buildings - 40 years
- Short leasehold buildings - over the lease term
- Infrastructure assets - 20 to 50 years
- Plant and Equipment - 5 to 30 years
- Vehicles - 5 to 10 years
- Marine Vessels - 30 years
- Intangibles - 5 to 10 years

Details of NTCA depreciation policy can be found on page 57 of the single entity accounts.

Nexus' policy is to commence depreciation on assets with effect from the month following capitalisation, whereas NTCA and NECA charges a full year of depreciation in the year of acquisition.

Where Group Accounts are required, authorities must provide the main financial statements and the disclosure notes which add value to the understanding of the accounts. Disclosure notes have been produced to add more detail where the Group Accounts are materially different from the single entity accounts.

Copies of the single entity accounts for Nexus are available at [www.nexus.org.uk](http://www.nexus.org.uk)

As described in Note 1 to the single entity accounts, the establishment of the North of Tyne Combined Authority (NTCA) and the North East Joint Transport Committee on 2 November 2018 necessitates the division of income and expenditure, assets and liabilities relating to Joint Transport Committee activity between the NECA and NTCA accounts. Since all Nexus activity reported in the NECA group accounts relates to Transport at the Tyne and Wear level, it has been fully apportioned between NECA and NTCA on the basis of Tyne and Wear population using the ONS statistics used as the basis of dividing the levy contributions.



**Note 2: Expenditure and Funding Analysis**

|                                                     | 2019/20                                        |                                  |                     |                   |                             |
|-----------------------------------------------------|------------------------------------------------|----------------------------------|---------------------|-------------------|-----------------------------|
|                                                     | Net Expenditure Chargeable to the General Fund | Adjustments for Capital Purposes | Pension Adjustments | Other Differences | Net Expenditure in the CIES |
|                                                     | £000                                           | £000                             | £000                | £000              | £000                        |
| <b>Continuing NTCA Services</b>                     |                                                |                                  |                     |                   |                             |
| Investment                                          | 735                                            | -                                | -                   | -                 | 735                         |
| Corporate Costs                                     | (3,713)                                        | -                                | 91                  | -                 | (3,622)                     |
| Mayors Office                                       | 207                                            | -                                | -                   | -                 | 207                         |
| Elections                                           | 1,045                                          | -                                | -                   | -                 | 1,045                       |
| Adult Education Budget                              | (246)                                          | -                                | -                   | -                 | (246)                       |
| Transport - Northumberland                          | 6,094                                          | -                                | -                   | -                 | 6,094                       |
| Transport - Retained Levy Budget                    | 348                                            | (234)                            | -                   | -                 | 114                         |
| Transport - Tyne and Wear                           | 19,478                                         | 10,053                           | 7,847               | -                 | 37,378                      |
| Transport - Other                                   | 325                                            | (1,810)                          | -                   | -                 | (1,485)                     |
| Transport - Tyne Tunnels                            | (2,571)                                        | (982)                            | -                   | -                 | (3,554)                     |
| <b>Net Cost of services</b>                         | <b>21,702</b>                                  | <b>7,027</b>                     | <b>7,938</b>        | <b>-</b>          | <b>36,667</b>               |
| <b>Other Income and Expenditure</b>                 |                                                |                                  |                     |                   |                             |
| - From continuing services                          | (53,756)                                       | (22,533)                         | 3,819               | 422               | (72,048)                    |
| <b>(Surplus)/Deficit on Provision of Services</b>   | <b>(32,054)</b>                                | <b>(15,506)</b>                  | <b>11,757</b>       | <b>422</b>        | <b>(35,380)</b>             |
| <b>Opening General Fund Balances</b>                | <b>(45,710)</b>                                |                                  |                     |                   |                             |
| Surplus on General Fund Balances in Year            | (32,054)                                       |                                  |                     |                   |                             |
| <b>Closing General Fund Balances at 31 March 20</b> | <b>(77,764)</b>                                |                                  |                     |                   |                             |

**Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and adjusts for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Change for the Pension Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

## North of Tyne Combined Authority Statement of Accounts 2019/20

- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

### Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

|                                                                                                      | 2018/19                                        |                                  |                     |                   |                             |
|------------------------------------------------------------------------------------------------------|------------------------------------------------|----------------------------------|---------------------|-------------------|-----------------------------|
|                                                                                                      | Net Expenditure Chargeable to the General Fund | Adjustments for Capital Purposes | Pension Adjustments | Other Differences | Net Expenditure in the CIES |
|                                                                                                      | £000                                           | £000                             | £000                | £000              | £000                        |
| <b>Continuing NTCA Services</b>                                                                      |                                                |                                  |                     |                   |                             |
| Investment                                                                                           | 3                                              | -                                | -                   | -                 | 3                           |
| Corporate Costs                                                                                      | 157                                            | -                                | -                   | -                 | 157                         |
| <b>Services Transferred from the NECA</b>                                                            |                                                |                                  |                     |                   |                             |
| Transport - Northumberland                                                                           | 2,561                                          | -                                | -                   | -                 | 2,561                       |
| Transport - Retained Levy Budget                                                                     | 161                                            | (117)                            | -                   | -                 | 44                          |
| Transport - Tyne and Wear                                                                            | 9,538                                          | -                                | -                   | -                 | 9,538                       |
| Transport - Other                                                                                    | 466                                            | (4,104)                          | -                   | -                 | (3,638)                     |
| Transport - Tyne Tunnels                                                                             | 49                                             | 1,955                            | -                   | -                 | 2,004                       |
| <b>Cost of services relating to continuing services excluding operations transferred to the NTCA</b> | <b>12,935</b>                                  | <b>(2,266)</b>                   | -                   | -                 | <b>10,669</b>               |
| <b>Other Income and Expenditure</b>                                                                  |                                                |                                  |                     |                   |                             |
| - From continuing services                                                                           | (20,093)                                       | -                                | -                   | -                 | (20,093)                    |
| - From services transferred from NECA                                                                | (13,050)                                       | -                                | -                   | (147)             | (13,197)                    |
| <b>(Surplus)/Deficit on Provision of Services</b>                                                    | <b>(20,208)</b>                                | <b>(2,266)</b>                   | -                   | <b>(147)</b>      | <b>(22,621)</b>             |

Balances transferred from NECA

(16,407)

Surplus on General Fund Balances in Year

(20,208)

**Closing General Fund Balances at 31 March 2019**

**(36,615)**

**Note 2a: Income and Expenditure Analysed by Nature**

|                                                                                             | 2018/19<br>£000 | 2019/20<br>£000  |
|---------------------------------------------------------------------------------------------|-----------------|------------------|
| <b>Expenditure</b>                                                                          |                 |                  |
| Employee benefit expenses                                                                   |                 | 24,744           |
| Other service expenses                                                                      |                 | 54,951           |
| Support Service Recharges                                                                   |                 | 1,261            |
| Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS) |                 | 23,187           |
| Interest payments                                                                           |                 | 7,514            |
| <b>Total expenditure</b>                                                                    | -               | <b>111,657</b>   |
| <b>Income</b>                                                                               |                 |                  |
| Fees, charges and other service income (Tyne Tunnels tolls)*                                |                 | (34,459)         |
| Interest and investment income                                                              |                 | (4,046)          |
| Income from transport levy                                                                  |                 | (33,168)         |
| Government grants and contributions                                                         |                 | (68,006)         |
| Other income                                                                                |                 | (7,449)          |
| <b>Total income</b>                                                                         | -               | <b>(147,129)</b> |
| <b>Surplus/Deficit on the provision of services</b>                                         | -               | <b>(35,473)</b>  |

\* Fees, charges and other service income relates wholly to tolls paid by users of the Tyne Tunnels.

**Note G3: Financing and Investment Income and Expenditure**

|                                               | Note | 2018/19      | 2019/20      |
|-----------------------------------------------|------|--------------|--------------|
|                                               |      | £000         | £000         |
| Interest Payable and Similar Charges          |      | 1,661        | 3,436        |
| Interest Payable on defined benefit liability | G11  | 323          | 4,077        |
| Interest Receivable and similar income        |      | (565)        | (4,046)      |
| <b>Total</b>                                  |      | <b>1,419</b> | <b>3,467</b> |

**Note G4: Taxation and Non Specific Grant Income**

|                                                  | 2018/19         | 2019/20         |
|--------------------------------------------------|-----------------|-----------------|
|                                                  | £000            | £000            |
| Transport Levy                                   | (14,825)        | (33,168)        |
| Capital Grants, Contributions and Donated Assets | (3,690)         | (22,258)        |
| Non-Ringfenced Government Grants                 | (20,091)        | (20,182)        |
| <b>Total</b>                                     | <b>(38,606)</b> | <b>(75,608)</b> |

**Note G5: Grant Income**

The following grants and contributions were credited to the Group Comprehensive Income and Expenditure Statement within the Cost of Services in 2019/20:

|                                                         | 2018/19         | 2019/20         |
|---------------------------------------------------------|-----------------|-----------------|
|                                                         | £000            | £000            |
| Homeless Veteran Grant                                  | (91)            | 0               |
| Adult Education Budget - Devolution Implementation Fund | (26)            | (382)           |
| Mayoral Capacity Fund                                   | (250)           | (1,000)         |
| Other Grants & Contributions (individually under £1m)   | (765)           | (114)           |
| Local Transport Plan                                    | (3,860)         | (6,179)         |
| European Grants                                         | 0               | (220)           |
| North East Smart Ticketing Initiative                   | 0               | (160)           |
| Transforming Cities Fund                                | (4,450)         | (4,386)         |
| Office for Low Emission Vehicles                        | 0               | (240)           |
| Other Grants                                            | 0               | (1,215)         |
| Metro Rail Grant                                        | (4,827)         | (11,556)        |
| Heavy Rail Grant                                        | 0               | (114)           |
| <b>Total</b>                                            | <b>(14,269)</b> | <b>(25,566)</b> |

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that if not met will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

| <b>Grants Receipts in Advance</b>                            | <b>31 March<br/>2019<br/>£000</b> | <b>31 March<br/>2020<br/>£000</b> |
|--------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Grants & Contributions (individually under £1m) - Short-Term | (503)                             | (427)                             |
| Grants & Contributions (individually under £1m) - Long-Term  | (100)                             |                                   |
| <b>Total</b>                                                 | <b>(603)</b>                      | <b>(427)</b>                      |

|                                                    |              |              |
|----------------------------------------------------|--------------|--------------|
| Shown as Short-Term Liability on the Balance Sheet | (503)        | (427)        |
| Short as Long-Term Liability on the Balance Sheet  | (100)        |              |
| <b>Total</b>                                       | <b>(603)</b> | <b>(427)</b> |

**Note G6: Property, Plant and Equipment**

| 2019/20                                          | Vehicles, Plant,<br>Furniture &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Assets Under<br>Construction<br>£000 | Land and<br>Buildings<br>£000 | Total Property,<br>Plant & Equipment<br>£000 | Service<br>Concession Assets<br>included in PPE<br>£000 |
|--------------------------------------------------|------------------------------------------------------|----------------------------------|--------------------------------------|-------------------------------|----------------------------------------------|---------------------------------------------------------|
| <b>Cost or Valuation</b>                         |                                                      |                                  |                                      |                               |                                              |                                                         |
| At 1 April 2019                                  | 16,570                                               | 483,334                          | 18,851                               | 770                           | 519,525                                      | 166,202                                                 |
| Additions                                        | -                                                    | -                                | 24,996                               |                               | 24,996                                       | -                                                       |
| Transfers from Assets Under<br>Construction      | 334                                                  | 21,878                           | (22,212)                             |                               | -                                            | 8,104                                                   |
| Transfers to Tangibles                           |                                                      |                                  | (655)                                |                               | (655)                                        |                                                         |
| Derecognition - Disposals                        | (49)                                                 | (1,470)                          | (277)                                |                               | (1,796)                                      | -                                                       |
| Revaluation Recognised in<br>Revaluation Reserve |                                                      |                                  |                                      | 785                           | 785                                          |                                                         |
| <b>At 31 March 2020</b>                          | <b>16,855</b>                                        | <b>503,742</b>                   | <b>20,703</b>                        | <b>1,555</b>                  | <b>542,855</b>                               | <b>174,306</b>                                          |
| <b>Accumulated Depreciation and Impairment</b>   |                                                      |                                  |                                      |                               |                                              |                                                         |
| At 1 April 2019                                  | (10,382)                                             | (137,976)                        | -                                    | (312)                         | (148,670)                                    | (21,005)                                                |
| Depreciation charge                              | (852)                                                | (13,307)                         |                                      | (18)                          | (14,177)                                     | (1,768)                                                 |
| Derecognition - Disposals                        | 49                                                   | 827                              |                                      |                               | 876                                          |                                                         |
| <b>At 31 March 2020</b>                          | <b>(11,185)</b>                                      | <b>(150,456)</b>                 | <b>-</b>                             | <b>(330)</b>                  | <b>(161,971)</b>                             | <b>(22,773)</b>                                         |
| <b>Net Book Value</b>                            |                                                      |                                  |                                      |                               |                                              |                                                         |
| At 1 April 2019                                  | 6,188                                                | 345,358                          | 18,851                               | 457                           | 370,855                                      | 145,197                                                 |
| At 31 March 2020                                 | 5,670                                                | 353,286                          | 20,703                               | 1,225                         | 380,884                                      | 151,533                                                 |

2018/19

|                                                                                                       | Vehicles,<br>Plant,<br>Furniture &<br>Equipment<br>£000 | Infrastructure<br>Assets<br>£000 | Assets Under<br>Construction<br>£000 | Land and<br>Buildings<br>£000 | Total<br>Property, Plant<br>& Equipment<br>£000 | Service<br>Concession<br>Assets<br>included in<br>PPE<br>£000 |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------|----------------------------------|--------------------------------------|-------------------------------|-------------------------------------------------|---------------------------------------------------------------|
| <b>Cost or Valuation</b>                                                                              |                                                         |                                  |                                      |                               |                                                 |                                                               |
| Transferred from Group                                                                                | 16,118                                                  | 481,108                          | 18,847                               | 770                           | 516,843                                         | 168,729                                                       |
| Additions                                                                                             | -                                                       | 19                               | 5,870                                | -                             | 5,889                                           | 19                                                            |
| Transfers from Assets Under<br>Construction                                                           | 470                                                     | 5,396                            | -                                    | (5,866)                       | -                                               | -                                                             |
| Revaluation<br>increases/(decreases)<br>recognised in Surplus/Deficit on<br>the Provision of Services | -                                                       | (19)                             | -                                    | -                             | (19)                                            | (19)                                                          |
| Impairment recognised in<br>Surplus/Deficit on Provision of<br>Services                               | -                                                       | (2,527)                          | -                                    | -                             | (2,527)                                         | (2,527)                                                       |
| Derecognition - Disposals                                                                             | (18)                                                    | (643)                            | -                                    | -                             | (661)                                           | -                                                             |
| <b>At 31 March 2019</b>                                                                               | <b>16,570</b>                                           | <b>483,334</b>                   | <b>24,717</b>                        | <b>(5,096)</b>                | <b>519,525</b>                                  | <b>166,202</b>                                                |
| <b>Accumulated Depreciation and Impairment</b>                                                        |                                                         |                                  |                                      |                               |                                                 |                                                               |
| Transferred from Group                                                                                | (9,902)                                                 | (133,489)                        | -                                    | (305)                         | (143,696)                                       | (20,355)                                                      |
| Depreciation charge for the<br>period 2/4/18-31/3/19                                                  | (498)                                                   | (5,096)                          | -                                    | (7)                           | (5,601)                                         | (650)                                                         |
| Derecognition - Disposals                                                                             | 18                                                      | 609                              | -                                    | -                             | 627                                             | -                                                             |
| <b>At 31 March 2019</b>                                                                               | <b>(10,382)</b>                                         | <b>(137,976)</b>                 | <b>-</b>                             | <b>(312)</b>                  | <b>(148,670)</b>                                | <b>(21,005)</b>                                               |
| <b>Net Book Value</b>                                                                                 |                                                         |                                  |                                      |                               |                                                 |                                                               |
| <b>At 31 March 2019</b>                                                                               | <b>6,188</b>                                            | <b>345,358</b>                   | <b>24,717</b>                        | <b>(5,408)</b>                | <b>370,855</b>                                  | <b>145,197</b>                                                |

**Note G7: Intangible Assets**

Intangible assets in the Group Accounts relate wholly to Nexus.

| 2019/20                                  | 2018/19<br>£000 | 2019/20<br>£000 |
|------------------------------------------|-----------------|-----------------|
| <b>Cost or Valuation</b>                 |                 |                 |
| Opening Balance                          |                 | 3,799           |
| Transferred from Group                   | 3,720           | -               |
| Additions                                | 78              | 316             |
| Transfers from assets under construction |                 | 655             |
| Derecognition - Disposals                |                 | (31)            |
| <b>Total</b>                             | <b>3,798</b>    | <b>4,739</b>    |
| <b>Amortisation</b>                      |                 |                 |
| Opening Balance                          |                 | (2,621)         |
| Transferred from Group                   | (2,506)         | -               |
| Amortisation provided during the period  | (114)           | (130)           |
| <b>Total</b>                             | <b>(2,620)</b>  | <b>(2,751)</b>  |
| <b>Net Book Value at 31 March</b>        | <b>1,178</b>    | <b>1,988</b>    |



## Note G8: Financial Instruments

### Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications.

|                               | Non-current              |                          |                          |                          | Current                  |                          |                          |                          |
|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                               | Investments              |                          | Debtors                  |                          | Investments              |                          | Debtors                  |                          |
|                               | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 |
| Amortised cost                | 1                        | 1                        |                          |                          | 27,720                   | 64,460                   | 7,657                    | 592                      |
| <b>Total financial assets</b> | <b>1</b>                 | <b>1</b>                 | <b>-</b>                 | <b>-</b>                 | <b>27,720</b>            | <b>64,460</b>            | <b>7,657</b>             | <b>592</b>               |
| Non-financial assets          | -                        | -                        |                          |                          | -                        | -                        |                          | 7,730                    |
| <b>Total</b>                  | <b>1</b>                 | <b>1</b>                 | <b>-</b>                 | <b>-</b>                 | <b>27,720</b>            | <b>64,460</b>            | <b>7,657</b>             | <b>8,322</b>             |

### Financial assets at amortised cost

Financial assets are classified at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest

All of NECA's financial assets fit these criteria and are classified at amortised cost.

### Trade receivables

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.

### Financial Liabilities held at amortised cost

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to Authority.

|                                    | Non-current              |                          |                          |                          | Current                  |                          |                          |                          |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                    | Borrowings               |                          | Creditors                |                          | Borrowings               |                          | Creditors                |                          |
|                                    | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2020<br>£000 |
| Amortised cost                     | (73,508)                 | (75,595)                 | -                        | -                        | (1,023)                  | (1,032)                  | (15,101)                 | (4,155)                  |
| <b>Total financial liabilities</b> | <b>(73,508)</b>          | <b>(75,595)</b>          | <b>-</b>                 | <b>-</b>                 | <b>(1,023)</b>           | <b>(1,032)</b>           | <b>(15,101)</b>          | <b>(4,155)</b>           |
| Non-financial liabilities          | -                        | -                        | -                        | -                        | -                        | -                        |                          | (14,309)                 |
| <b>Total</b>                       | <b>(73,508)</b>          | <b>(75,595)</b>          | <b>-</b>                 | <b>-</b>                 | <b>(1,023)</b>           | <b>(1,032)</b>           | <b>(15,101)</b>          | <b>(18,464)</b>          |

The contractual terms for NECA's financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.

**Income, Expense, Gains and Losses**

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

| 31 March 2019                           |                                              |              |                                                          | 31 March 2020                           |                                              |                |
|-----------------------------------------|----------------------------------------------|--------------|----------------------------------------------------------|-----------------------------------------|----------------------------------------------|----------------|
| £000                                    | £000                                         | £000         |                                                          | £000                                    | £000                                         | £000           |
| Financial Liabilities at amortised cost | Financial assets: measured at amortised cost | Total        |                                                          | Financial Liabilities at amortised cost | Financial assets: measured at amortised cost | Total          |
| 1,661                                   | -                                            | 1,661        | Interest expense                                         | 7,255                                   | -                                            | 7,255          |
| <b>1,661</b>                            | <b>-</b>                                     | <b>1,661</b> | <b>Total expense in Surplus on Provision of Services</b> | <b>7,255</b>                            | <b>-</b>                                     | <b>7,255</b>   |
| -                                       | (565)                                        | (565)        | Investment income                                        | -                                       | (3,787)                                      | (3,787)        |
| -                                       | -                                            | -            | Movement on soft loans adjustment                        | -                                       | -                                            | -              |
| -                                       | (565)                                        | (565)        | <b>Total income in Surplus on Provision of Services</b>  | <b>-</b>                                | <b>(3,787)</b>                               | <b>(3,787)</b> |
| <b>1,661</b>                            | <b>(565)</b>                                 | <b>1,096</b> | <b>Net (gain)/loss for the year</b>                      | <b>7,255</b>                            | <b>(3,787)</b>                               | <b>3,468</b>   |

**Fair Value of Assets & Liabilities carried at Amortised Cost**

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

For 2019/20 the fair values are shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options: lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.

- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

|                                                     | Note | 31 March 2019           |                    | 31 March 2020           |                    |
|-----------------------------------------------------|------|-------------------------|--------------------|-------------------------|--------------------|
|                                                     |      | Carrying amount<br>£000 | Fair value<br>£000 | Carrying amount<br>£000 | Fair value<br>£000 |
| <b>Financial liabilities held at amortised cost</b> | 2    | (73,508)                | (120,323)          | (76,627)                | (131,383)          |
| <b>Total</b>                                        |      | <b>(73,508)</b>         | <b>(120,323)</b>   | <b>(76,627)</b>         | <b>(131,383)</b>   |
| <b>Financial Assets at amortised cost</b>           |      |                         |                    |                         |                    |
| Held to maturity investments                        |      | 27,720                  | 27,720             | 28,460                  |                    |
| <b>Total</b>                                        |      | <b>(45,788)</b>         | <b>(92,603)</b>    | <b>(48,167)</b>         | <b>(131,383)</b>   |

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Details of the nature and extent of risks arising from Financial Instruments are set out in Note 13 of the single entity accounts.

**Note G9: Short Term Debtors**

|                                | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|--------------------------------|-----------------------|-----------------------|
| Central Government bodies      | 4,923                 | 7,554                 |
| Other local authorities        | 2,082                 | 5,445                 |
| NHS bodies                     | 36                    | 2                     |
| Other entities and individuals | (106)                 | 333                   |
| <b>Total</b>                   | <b>6,935</b>          | <b>13,334</b>         |

**Note G10: Cash and Cash Equivalents**

|                                                 | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|-------------------------------------------------|-----------------------|-----------------------|
| Cash                                            | 8,823                 | 21,508                |
| Short-term deposits with financial institutions | 28,467                | 34,322                |
| <b>Total</b>                                    | <b>37,290</b>         | <b>55,830</b>         |

**Note G11: Short Term Creditors**

|                                | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|--------------------------------|-----------------------|-----------------------|
| Central government bodies      | (411)                 | (1,192)               |
| Other local authorities        | (1,258)               | (2,888)               |
| Other entities and individuals | (12,646)              | (12,104)              |
| - Nexus                        |                       | -                     |
| - TT2                          |                       | (1,346)               |
| - Other                        |                       | (1,013)               |
| <b>Total</b>                   | <b>(14,315)</b>       | <b>(18,543)</b>       |

**Note G12: Defined Benefit Pension Schemes**

NTCA, NECA and Nexus participate in the Tyne and Wear Pension Fund (the Fund) administered locally by South Tyneside Council, which is part of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

**Consolidated Pension Liability**

The Group pension liability of **£76.462m** (2019 £32.152m) is the sum of the NTCA, NECA, Nexus and NEMOL pension liability. The details of the NEMOL pension liability of **£32.152m** (2019 £32.152m) are set out within the NEMOL Annual Report and Accounts using the FRS 101 disclosure framework.

**Transactions Relating to Post-employment Benefits**

The following transactions relating to the Local Government Pension Scheme and Unfunded Benefits provided by the NECA Group have been included in the Comprehensive Income and Expenditure Statement and in the Movement in Reserves Statement during the year.

**Comprehensive Income and Expenditure Statement**

|                                                                                                     | LGPS           |                | Discretionary Benefits |              |
|-----------------------------------------------------------------------------------------------------|----------------|----------------|------------------------|--------------|
|                                                                                                     | 2018/19        | 2019/20        | 2018/19                | 2019/20      |
|                                                                                                     | £000           | £000           | £000                   | £000         |
| <b>Cost of Services:</b>                                                                            |                |                |                        |              |
| Current service cost                                                                                | 2,136          | 6,119          | -                      |              |
| Past service cost                                                                                   | 1,421          | 71             | -                      |              |
| <b>Financing and Investment Income and Expenditure</b>                                              |                |                |                        |              |
| Interest cost                                                                                       | 305            | 4,042          | 18                     | 35           |
| Expected Return on Scheme Assets                                                                    |                | (3,289)        |                        |              |
| <b>Total Post-Employment benefit charged to the Surplus or Deficit on the Provision of Services</b> | <b>3,862</b>   | <b>6,943</b>   | <b>18</b>              | <b>35</b>    |
| Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:       |                |                |                        |              |
| Return on plan assets (in excess of)/below that recognised in net interest                          | (2,364)        | (14,355)       | -                      |              |
| Remeasurement of the net Defined Benefit Liability                                                  | 646            | 8,356          | (18)                   | (235)        |
| Adjustment in respect of paragraph 58                                                               |                |                | -                      |              |
| <b>Total amount recognised in Other Comprehensive Income and Expenditure</b>                        | <b>(1,718)</b> | <b>(5,999)</b> | <b>(18)</b>            | <b>(235)</b> |
| <b>Total amount recognised in CIES</b>                                                              | <b>2,144</b>   | <b>944</b>     | <b>-</b>               | <b>(200)</b> |

**Reconciliation of the Present Value of Scheme Liabilities:**

|                                             | LGPS             |                  | Discretionary Benefits |                |
|---------------------------------------------|------------------|------------------|------------------------|----------------|
|                                             | 2018/19          | 2019/20          | 2018/19                | 2019/20        |
|                                             | £000             | £000             | £000                   | £000           |
| Opening balance at 1 April                  | (164,057)        | (168,580)        | (1,637)                | (1,580)        |
| Current Service Cost                        | (2,136)          | (5,634)          | -                      |                |
| Interest Cost                               | (1,692)          | (4,043)          | (18)                   | (35)           |
| Contributions by participants               | (456)            | (1,146)          | -                      |                |
| Remeasurements of the Net Defined Liability | (646)            | (7,196)          | 18                     | 235            |
| Net benefits paid                           | 1,826            | 5,490            | 65                     | 151            |
| Past service costs                          | (1,421)          | (34)             | -                      |                |
| <b>Closing balance at 31 March</b>          | <b>(168,582)</b> | <b>(181,143)</b> | <b>(1,572)</b>         | <b>(1,229)</b> |

**Reconciliation of the Fair Value of the Scheme Assets:**

|                                             | LGPS           |                | Discretionary Benefits |         |
|---------------------------------------------|----------------|----------------|------------------------|---------|
|                                             | 2018/19        | 2019/20        | 2018/19                | 2019/20 |
|                                             | £000           | £000           | £000                   | £000    |
| <b>Opening fair value of scheme assets</b>  | <b>133,153</b> | <b>136,697</b> | -                      | -       |
| Interest income                             | 1,387          | 3,294          | -                      |         |
| Remeasurement gains/(losses) on plan assets | 2,364          | 14,356         | -                      |         |
| Employer contributions                      | 1,159          | 3,243          | 65                     | 155     |
| Contributions by scheme participants        | 456            | 1,254          | -                      |         |
| Net benefits paid out                       | (1,826)        | (5,486)        | (65)                   | (155)   |
| <b>Closing fair value of scheme assets</b>  | <b>136,693</b> | <b>153,358</b> | -                      | -       |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

| <b>Scheme History</b>                           | <b>2018/19</b>  | <b>2019/20</b>  |
|-------------------------------------------------|-----------------|-----------------|
|                                                 | <b>£000</b>     | <b>£000</b>     |
| <b>Fair value of LGPS assets</b>                | <b>136,693</b>  | <b>153,358</b>  |
| Present value of liabilities:                   |                 |                 |
| - LGPS liabilities                              | (168,582)       | (182,953)       |
| - Impact of minimum funding                     |                 |                 |
| <b>Deficit on funded defined benefit scheme</b> | <b>(31,889)</b> | <b>(29,595)</b> |
| Discretionary benefits                          | (1,572)         | (1,230)         |
| <b>Total (Deficit)</b>                          | <b>(33,461)</b> | <b>(30,825)</b> |

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

## North of Tyne Combined Authority Statement of Accounts 2019/20

|                     | NTCA | NECA | Nexus | NEMOL |
|---------------------|------|------|-------|-------|
| Active members      | 100% | 5%   | 34%   | 100%  |
| Deferred pensioners | 0%   | 10%  | 10%   | 0%    |
| Pensioners          | 0%   | 85%  | 56%   | 0%    |

The weighted average duration of the defined benefit obligation for scheme members is 29.3 years for NTCA, 13.3 years for NECA, 17.8 years for Nexus and 22.4 years for NEMOL.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £182.953m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £30.825m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2021 is £0.071m for NTCA, nil for NECA, £3.03m for Nexus and £0.38m for NEMOL (of which £1.340m and £0.17m respectively attributed to NECA). In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2021 is Nil for NTCA, £0.350m in relation to unfunded benefits for Nexus (of which £0.16m attributed to NECA).

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

| NTCA                                                 | Local Government |            |
|------------------------------------------------------|------------------|------------|
|                                                      | 31-Mar-19        | 31-Mar-20  |
| <b>Mortality assumptions:</b>                        |                  |            |
| Pensioner member aged 65 at accounting date (male)   | 21.8             | 21.8       |
| Pensioner member aged 65 at accounting date (female) | 24.9             | 25.0       |
| Active member aged 45 at accounting date (male)      | 23.4             | 23.5       |
| Active member aged 45 at accounting date (female)    | 26.7             | 26.8       |
| <b>Rate for discounting scheme liabilities</b>       | <b>% pa</b>      | <b>%pa</b> |
| Rate for inflation - Retail Price Index              | 2.50%            | 2.30%      |
| Rate of inflation - Consumer Price Index             | 2.10%            | 1.80%      |
| Rate of increase in pensions                         | 2.10%            | 1.80%      |
| Pension accounts revaluation rate                    | 2.10%            | 1.80%      |
| Rate of increase in salaries                         | 3.60%            | 3.30%      |

| NECA and Nexus                           | LGPS    |         | Discretionary Benefits |         |
|------------------------------------------|---------|---------|------------------------|---------|
|                                          | 2018/19 | 2019/20 | 2018/19                | 2019/20 |
| <b>Mortality assumptions:</b>            |         |         |                        |         |
| Longevity at 65 for current pensioners:  |         |         |                        |         |
| Men                                      | 22.2    | 21.8    | 22.2                   | 21.8    |
| Women                                    | 25.3    | 25.0    | 25.3                   | 25.0    |
| Active member at 45 (male)               | 23.4    | 23.5    |                        |         |
| Active member at 45 (female)             | 26.7    | 26.8    |                        |         |
| Rate for discounting scheme liabilities  | 2.4%    | 2.3%    | 2.4%                   | 2.3%    |
| Rate of inflation - Retail Price Index   | 3.3%    | n/a     | 3.3%                   | n/a     |
| Rate of inflation - Consumer Price Index | 2.2%    | 2.0%    | 2.2%                   | 2.0%    |
| Rate of increase in pensions             | 2.2%    | 2.0%    | 2.2%                   | 2.0%    |
| Pension accounts revaluation rate        | 2.2%    | 2.2%    | n/a                    | 2.2%    |
| Rate of increase in salaries             | 3.7%    | 3.5%    | n/a                    | 3.5%    |

| NEMOL                                    | LGPS    |         | Discretionary Benefits |         |
|------------------------------------------|---------|---------|------------------------|---------|
|                                          | 2018/19 | 2019/20 | 2018/19                | 2019/20 |
| <b>Mortality assumptions:</b>            |         |         |                        |         |
| Longevity at 65 for current pensioners:  |         |         |                        |         |
| Men                                      | 22.2    | 21.8    | 22.2                   | 21.8    |
| Women                                    | 25.3    | 25.0    | 25.3                   | 25.0    |
| Rate for discounting scheme liabilities  | 3.2%    | 2.3%    | 2.4%                   | 2.3%    |
| Rate of inflation - Retail Price Index   | 3.2%    | n/a     | 3.3%                   | n/a     |
| Rate of inflation - Consumer Price Index | 2.1%    | 1.9%    | 2.2%                   | 1.9%    |
| Rate of increase in pensions             | 2.1%    | 1.9%    | 2.2%                   | 1.9%    |
| Pension accounts revaluation rate        | 2.1%    | 2.1%    | n/a                    | 2.1%    |
| Rate of increase in salaries             | 3.6%    | 3.4%    | n/a                    | 3.4%    |

The approximate split of assets for the Fund as a whole is shown in the table below:

|                    | 31 March 2019 | 31 March 2020 |              |               |
|--------------------|---------------|---------------|--------------|---------------|
|                    | %             | %             | %            | %             |
|                    | Total         | Quoted        | Unquoted     | Total         |
| Equity investments | 65.0%         | 48.0%         | 6.8%         | 54.8%         |
| Property           | 8.8%          | 0.0%          | 9.0%         | 9.0%          |
| Government bonds   | 4.1%          | 4.1%          | 0.0%         | 4.1%          |
| Corporate bonds    | 11.7%         | 15.3%         | 0.0%         | 15.3%         |
| Cash               | 2.7%          | 2.3%          | 0.0%         | 2.3%          |
| Other*             | 7.7%          | 8.5%          | 6.0%         | 14.5%         |
| <b>Total</b>       | <b>100.0%</b> | <b>78.2%</b>  | <b>21.8%</b> | <b>100.0%</b> |

\* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will generate a return in line with equities.

**Actual Return on Assets**



|                                     | Local Government |               |
|-------------------------------------|------------------|---------------|
|                                     | 2018/19          | 2019/20       |
|                                     | £000             | £000          |
| Interest Income on Assets           | 1,387            | 3,294         |
| Remeasurement gain/(loss) on assets | 2,364            | 14,356        |
| <b>Actual Return on Assets</b>      | <b>3,751</b>     | <b>17,650</b> |

### Sensitivity Analysis

Sensitivity analysis of NTCA pension liabilities is set out in Note 19 of the single entity accounts. Sensitivity analysis of the Nexus pension liabilities is shown below.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

|                                                | +0.1% per annum | Base Figure | -0.1% per annum |
|------------------------------------------------|-----------------|-------------|-----------------|
| <b>Discount rate assumption</b>                |                 |             |                 |
| <b>Adjustment to discount rate</b>             |                 |             |                 |
| Present value of total obligation (£M)         | 361.31          | 368.31      | 375.31          |
| % change in present value of total obligation  | -1.90%          |             | 1.90%           |
| Projected service cost (£M)                    | 11.02           | 11.43       | 11.85           |
| Approximate % change in projected service cost | -3.60%          |             | 3.70%           |

|                                                | +0.1% per annum | Base Figure | -0.1% per annum |
|------------------------------------------------|-----------------|-------------|-----------------|
| <b>Rate of general increase in salaries</b>    |                 |             |                 |
| <b>Adjustment to salary increase rate</b>      |                 |             |                 |
| Present value of total obligation (£M)         | 369.41          | 368.31      | 367.21          |
| % change in present value of total obligation  | 0.30%           |             | -0.30%          |
| Projected service cost (£M)                    | 11.43           | 11.43       | 11.43           |
| Approximate % change in projected service cost | 0.00%           |             | 0.00%           |

|                                                                                                                                         | +0.1% per annum | Base Figure | -0.1% per annum |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|-----------------|
| <b>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption</b> |                 |             |                 |
| <b>Adjustment to pension increase rate</b>                                                                                              |                 |             |                 |
| Present value of total obligation                                                                                                       | 374.20          | 368.31      | 362.42          |
| % change in present value of total obligation                                                                                           | 1.60%           |             | -1.60%          |
| Projected service cost (£M)                                                                                                             | 11.85           | 11.43       | 11.02           |
| Approximate % change in projected service cost                                                                                          | 3.70%           |             | -3.60%          |

| <b>Post retirement mortality assumption</b>            | <b>-1 year</b> | <b>Base Figure</b> | <b>+1 year</b> |
|--------------------------------------------------------|----------------|--------------------|----------------|
| <b>Adjustment to mortality age rating assumption *</b> |                |                    |                |
| Present value of total obligation (£M)                 | 380.10         | 368.31             | 356.52         |
| % change in present value of total obligation          | 3.20%          |                    | -3.20%         |
| Projected service cost (£M)                            | 11.88          | 11.43              | 10.98          |
| Approximate % change in projected service cost         | 3.90%          |                    | -3.90%         |

\* a rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them

A small proportion (9%) of the Pension Fund's investments are in direct property valuations and pooled residential property funds. The impact of Covid 19 has resulted in a significant reduction in the number of transactions in the market and consequently the relevant observable data available upon which to base a valuation judgement. As such, the Pension Fund's property investment manager has included a material valuation uncertainty clause in some of their valuation reports due to the possible impact of Covid 19. Therefore, there is less certainty and a higher degree of caution should be attached to the valuations of these unquoted assets than would normally be the case. There is a risk that current valuations may be under or overstated in the accounts.

**Note G13: Deferred Taxation**

NB - Nexus have not yet received their tax figures for 2019/20

These are not usually available for the draft accounts

The movement for the year comprises:

|                                   | 2018/19<br>£000 | 2019/20<br>£000 |
|-----------------------------------|-----------------|-----------------|
| Capital Allowances                | 25              |                 |
| Roll over relief on capital gains | -               |                 |
| Other timing differences          | -               |                 |
| Transfer from Group               | (2,074)         |                 |
| <b>Total</b>                      | <b>(2,049)</b>  | -               |

The balance at the year end comprises:

|                                                | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|------------------------------------------------|-----------------------|-----------------------|
| Excess of capital allowances over depreciation | (1,504)               |                       |
| Roll over relief on capital gains              | (545)                 |                       |
| Other timing differences                       | -                     |                       |
| Tax effect of losses                           | -                     |                       |
| <b>Total</b>                                   | <b>(2,049)</b>        | -                     |

**Note G14: Usable Reserves**

|                                  | 31 March 2019<br>£000 | 31 March 2020<br>£000 |
|----------------------------------|-----------------------|-----------------------|
| General Fund Balance             | (29,575)              | (32,960)              |
| Earmarked Reserves               | (30,355)              | (50,872)              |
| Capital Receipts Reserve         |                       | -                     |
| Capital Grants Unapplied Reserve | (4,183)               | (5,851)               |
| Pensions (NEMOL)                 | 14,236                | 6,069                 |
| <b>Total</b>                     | <b>(49,877)</b>       | <b>(83,614)</b>       |

**Note G15: Unusable Reserves****Summary**

|                                          | <b>31 March<br/>2019<br/>£000</b> | <b>31 March<br/>2020<br/>£000</b> |
|------------------------------------------|-----------------------------------|-----------------------------------|
| Capital Adjustment Account               | (241,599)                         | (254,701)                         |
| Financial Instruments Adjustment Account | 788                               | 425                               |
| Revaluation Reserve                      | (3,974)                           | (4,695)                           |
| Pension Reserve                          | 19,225                            | 24,750                            |
| <b>Total</b>                             | <b>(225,560)</b>                  | <b>(234,221)</b>                  |

Details of movements on the Financial Instruments Adjustment Account is shown in Note 12 of the NTCA single entity accounts. This reserve relates to NECA only.

**Revaluation Reserve**

The Revaluation Reserve (RR) contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised

The RR only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA.

|                                                    | <b>£000</b>    |
|----------------------------------------------------|----------------|
| <b>Transferred from Group</b>                      | <b>(4,039)</b> |
| the CAA                                            | 65             |
| <b>Balance at 31 March 2019</b>                    | <b>(3,974)</b> |
| the CAA                                            | 64             |
| Revaluation Gain recognised in Revaluation Reserve | (785)          |
| <b>Balance at 31 March 2020</b>                    | <b>(4,695)</b> |

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|                                                                                                                                                                  | £000           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <b>Transfer from the Group</b>                                                                                                                                   | <b>19,118</b>  |
| Remeasurements of the net defined benefit liability (asset)                                                                                                      | (1,360)        |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 2 November 2018 year | 2,122<br>(655) |
| <b>Balance as at 31 March 2019</b>                                                                                                                               | <b>19,225</b>  |
| Remeasurements of the net defined benefit liability to 31 March 2020                                                                                             | (6,232)        |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 31 March 2020        | 7,359          |
| Employer's pension contributions and direct payments to pensioners to 31 March 2020                                                                              | (2,054)        |
| Interest expense on net defined liability/(asset)                                                                                                                | 6,452          |
| <b>Balance at 31 March 2020</b>                                                                                                                                  | <b>24,750</b>  |

### Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The CAA is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The CAA also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

|                                                                                                     | £000             |
|-----------------------------------------------------------------------------------------------------|------------------|
| <b>Transferred from Group</b>                                                                       | <b>(243,433)</b> |
| Reversal of items relating to capital expenditure debited or credited to the CIES to 31 March 2019: |                  |
| Charges for depreciation and impairment of non current assets                                       | 7,932            |
| Amounts of non-current assets written off on disposal or sale                                       | 636              |
| Other income that cannot be credited to the General Fund                                            | 4,704            |
| Revenue expenditure funded from capital under statute                                               |                  |
| Write down of long term debtors                                                                     | (202)            |
| Nexus movement between usable and unusable reserves                                                 | 564              |
| Adjusting amounts written out of the Revaluation Reserve to 31 March 2019                           | (65)             |
| <b>Capital financing applied in the year to 31 March 2019</b>                                       |                  |
| financing                                                                                           | (10,246)         |
| Statutory provision for the financing of capital investment                                         | (429)            |
| Capital expenditure charged against the General Fund                                                | (335)            |
| Debt redeemed using capital receipts                                                                | (725)            |
| <b>Balance at 31 March 2019</b>                                                                     | <b>(241,599)</b> |
| <b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>           |                  |
| Charges for depreciation and impairment of non current assets                                       | 13,532           |
| Amounts of non-current assets written off on disposal or sale                                       | 785              |
| Other income that cannot be credited to the General Fund                                            | (2,256)          |
| Revenue expenditure funded from capital under statute                                               | 8,881            |

North of Tyne Combined Authority Statement of Accounts 2019/20

|                                                                                                   |                  |
|---------------------------------------------------------------------------------------------------|------------------|
| Write down of long term debtors                                                                   | 698              |
| <b>Adjusting amounts written out of the Revaluation Reserve</b>                                   | <b>(64)</b>      |
| <b>Capital financing applied in the year:</b>                                                     |                  |
| Capital grants and contributions credited to the CIES that have been applied to capital financing | (31,574)         |
| Statutory provision for the financing of capital investment                                       | (766)            |
| Capital expenditure charged against the General Fund                                              | (1,640)          |
| Debt redeemed using capital receipts                                                              | (698)            |
| <b>Balance at 31 March 2020</b>                                                                   | <b>(254,701)</b> |

**Note G16: Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities**

|                                                                                                                                   | 2018/19<br>£000 | 2019/20<br>£000 |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Surplus/(Deficit) on the provision of services                                                                                    |                 | 35,380          |
| <b>Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements</b>                                           |                 |                 |
| Depreciation, Impairment and Amortisation                                                                                         | 8,262           | 13,532          |
| Loss on disposal of non-current assets                                                                                            | 31              |                 |
| (Increase)/Decrease in Creditors                                                                                                  | 4,561           | 2,708           |
| Increase/(Decrease) in Debtors                                                                                                    | (1,592)         | (4,952)         |
| Increase/(Decrease) in Inventories                                                                                                | (19)            |                 |
| Movement in Pension Liability                                                                                                     | 2,657           | 3,597           |
| Other non-cash items charged to the net surplus or deficit on the provision of services                                           | (927)           | (2,742)         |
|                                                                                                                                   | <b>12,973</b>   | <b>12,144</b>   |
| <b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing</b> |                 |                 |
| Capital grants credited to surplus/(deficit) on provision of services                                                             | (12,854)        | (33,258)        |
| Other adjustments for items that are financing or investing                                                                       | 215             |                 |
| <b>Net cash flow from operating activities</b>                                                                                    | <b>(12,639)</b> | <b>14,266</b>   |

The cash flows for operating activities include the following items:

|                   | 2018/19<br>£000 | 2019/20<br>£000 |
|-------------------|-----------------|-----------------|
| Interest received | 3,491           | 2,452           |
| Interest paid     | (7,915)         | (4,196)         |

**Note G17: Cash Flow Statement - Investing Activities**

|                                                                                                    | 2018/19<br>£000 | 2019/20<br>£000 |
|----------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Purchase of property, plant and equipment, investment property and intangible assets               | (5,967)         | (23,100)        |
| Purchase of short-term and long-term investments                                                   | (26,983)        | (80,393)        |
| Other payments for investing activities                                                            |                 |                 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets |                 | 80,393          |
| Proceeds from short-term and long-term investments                                                 | 20,074          | (10,000)        |
| Other receipts from investing activities                                                           | 12,283          | 35,411          |
| <b>Net cash flows from investing activities</b>                                                    | <b>(593)</b>    | <b>2,311</b>    |

**Note G18: Cash Flow Statement - Financing Activities**

|                                                 | <b>2018/19<br/>£000</b> | <b>2019/20<br/>£000</b> |
|-------------------------------------------------|-------------------------|-------------------------|
| Repayments of short and long-term borrowing     | (499)                   | 1,963                   |
| Other payments for financing activities         | (579)                   |                         |
| Other receipts for financing activities         | 79                      |                         |
| <b>Net cash flows from financing activities</b> | <b>(999)</b>            | <b>1,963</b>            |



**Note G19: Capital Expenditure and Capital Financing**

|                                                                            | £000          |
|----------------------------------------------------------------------------|---------------|
| <b>Transfer from Group</b>                                                 | <b>86,805</b> |
| <b>Capital Investment to 31 March 2019</b>                                 |               |
| Property, Plant and Equipment                                              | 6,500         |
| Intangible Assets                                                          | 78            |
| Revenue Expenditure Funded from Capital Under Statute                      | 4,704         |
| <b>Sources of Finance to 31 March 2019</b>                                 |               |
| Capital receipts - repayment of principal from long term debtors           | (10,246)      |
| Government Grants and other contributions                                  | (725)         |
| Direct revenue contributions                                               | (335)         |
| Minimum Revenue Provision                                                  | (307)         |
| Additional Voluntary Provision                                             | (122)         |
| <b>Closing Capital Financing Requirement 31 March 2019</b>                 | <b>86,352</b> |
| Decrease in underlying need to borrow (unsupported by government financial | <b>(453)</b>  |

|                                                                            | £000          |
|----------------------------------------------------------------------------|---------------|
| <b>Opening Capital Financing Requirement 1 April 2019</b>                  | <b>86,352</b> |
| <b>Capital Investment</b>                                                  |               |
| Property, Plant and Equipment                                              | 24,917        |
| Intangible Assets                                                          | 316           |
| Revenue Expenditure Funded from Capital Under Statute                      | 8,881         |
| <b>Sources of Finance</b>                                                  |               |
| Capital receipts - repayment of principal from long term debtors           | (698)         |
| Government Grants and other contributions                                  | (31,575)      |
| <b>Sums set aside from revenue</b>                                         |               |
| Direct revenue contributions                                               | (1,640)       |
| Minimum Revenue Provision                                                  | (766)         |
| Additional Voluntary Provision                                             |               |
| <b>Closing Capital Financing Requirement 31 March 2020</b>                 | <b>85,787</b> |
| Decrease in underlying need to borrow (unsupported by government financial | <b>(565)</b>  |

**Note G20: Prior Period Adjustments**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

|  | <b>31 March 2019</b> | <b>Adjustment</b> | <b>31 March 2019</b>     |
|--|----------------------|-------------------|--------------------------|
|  | <b>£000</b>          | <b>£000</b>       | <b>Restated<br/>£000</b> |
|  |                      |                   | -                        |
|  |                      |                   | -                        |
|  | -                    | -                 | -                        |

|  | <b>1 April 2018</b> | <b>Adjustment</b> | <b>1 April 2018</b>      |
|--|---------------------|-------------------|--------------------------|
|  | <b>£000</b>         | <b>£000</b>       | <b>Restated<br/>£000</b> |
|  |                     |                   | -                        |
|  |                     |                   | -                        |
|  | -                   | -                 | -                        |

## 4.0 Supplemental Information

### 4.1 Glossary of Terms

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Abbreviations                        | The symbol 'k' following a figure represents £ thousand.<br>The symbol 'm' following a figure represents £ million.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Accruals                             | Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Accounting policies                  | Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Actuarial gains or losses (Pensions) | For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or the actuarial assumptions themselves have changed.                                                                                                                                                                                                                                                                                                                                                                                        |
| Amortise                             | To write off gradually and systematically a given amount of money within a specific number of time periods.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Assets                               | Items of worth which are measurable in terms of money.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Assets Held for Sale                 | Those assets, primarily long-term assets, that the Authority wishes to dispose of through sale to others.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Balances                             | The total level of surplus funds the Authority has accumulated over the years.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Budgets                              | A statement of the Authority's forecast expenditure, that is, net revenue expenditure for the year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Capital Expenditure                  | Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Capital Adjustment Account           | The account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded from capital under statute). The balance on the account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements. |
| Capital Receipts                     | Monies received from the disposal of land and other fixed assets, and from the repayment of grants and loans made by the Authority                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

|                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Code of Practice on Local Authority Accounting in the UK | The Code specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of a local authority.                                                                                                                                                                                                                                                                               |
| Comprehensive Income & Expenditure Statement             | This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the financial year.                                                                                                                                                                                                                                                                                     |
| Consistency                                              | The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.                                                                                                                                                                                                                                                                                                          |
| Contingent Asset                                         | A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.                                                                                                                                                                                                                                  |
| Contingent Liability                                     | A contingent liability is either (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or (ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability. |
| Corporate & Democratic Core                              | The corporate & democratic core comprises all activities which local authorities engage in specifically because they are elected, multipurpose authorities.                                                                                                                                                                                                                                                                                 |
| Creditors                                                | An amount owed by the Authority for work done, goods received or services rendered, but for which payment has not been made.                                                                                                                                                                                                                                                                                                                |
| Current Service Cost (Pensions)                          | The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.                                                                                                                                                                                                                                                                                                  |
| Curtailment (Pensions)                                   | For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples include termination of employee's service through redundancy or amendment of the terms affecting future benefits.                                                                               |

|                                            |                                                                                                                                                                                                                                                                                            |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Debtors                                    | Monies owed to the Authority but not received at the balance sheet date.                                                                                                                                                                                                                   |
| Defined Benefit Scheme (Pensions)          | A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded. |
| Depreciation                               | The measure of the wearing out, consumption or other reduction in the useful economic life of an asset.                                                                                                                                                                                    |
| Earmarked Reserve                          | A sum set aside for a specific purpose.                                                                                                                                                                                                                                                    |
| Emoluments                                 | Payments received in cash and benefits for employment.                                                                                                                                                                                                                                     |
| Events after the Balance Sheet Date        | Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the statement of Accounts is authorised for issue.                                                                                          |
| Expected Rate of Return on Pensions Assets | This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.                                                                                                                                                                                |
| Fair Value                                 | The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.                                                                                             |
| Fees and Charges                           | Income arising from the provision of services, for example, charges for the use of leisure facilities.                                                                                                                                                                                     |
| Finance Lease                              | A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.                                                                       |
| Financial Instrument                       | Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.                                         |

|                                          |                                                                                                                                                                                                                                                              |
|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial Instruments Adjustment Account | The reserve records the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance. |
| General Fund                             | The total services of the Authority.                                                                                                                                                                                                                         |
| Going Concern                            | The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.                              |
| Impairment                               | A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.                                                                                                      |
| Intangible Assets                        | An asset that is not physical in nature, e.g. software licences.                                                                                                                                                                                             |
| Interest Cost (Pensions)                 | For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.                                                                               |
| Investment Properties                    | Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.                                                             |
| Liabilities                              | Any amounts owed to individuals or organisations which will have to be paid at some time in the future.                                                                                                                                                      |
| Liquid Resources                         | Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount. or traded in an active market.                        |
| Materiality                              | An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.                                                                     |
| Minimum Revenue Provision (MRP)          | An amount charged by the Authority to the Comprehensive Income & Expenditure Account, for debt redemption or for the discharge of other credit liabilities.                                                                                                  |

|                                   |                                                                                                                                                                                                                                                                              |
|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Movement in Reserves Statement    | The statement shows the movement in the year on the different reserves held by the Authority.                                                                                                                                                                                |
| Net Book Value                    | The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.                                                                                                         |
| Net Debt                          | The Authority's borrowings less cash and liquid resources.                                                                                                                                                                                                                   |
| Operating Leases                  | Leases other than a finance lease.                                                                                                                                                                                                                                           |
| Property, Plant & Equipment (PPE) | Assets that yield benefits to the Authority and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.                                                                                                             |
| Provisions                        | These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.                                                                                                                              |
| Prudence                          | This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of information available.      |
| Public Works Loan Board           | This is a Government agency which provides loans to local authorities at favourable rates.                                                                                                                                                                                   |
| Related Party Transactions        | A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties. |
| Reserves                          | These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.                                                                                                                            |
| Residual Value                    | The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.                                    |
| Revaluation Reserve               | The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors.                                                                                                               |

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenue Expenditure                                   | Expenditure on providing day-to-day services, for example employee costs and premises costs.                                                                                                                                                                                                                                                                                                                            |
| Revenue Expenditure Funded from Capital under Statute | Expenditure which may be properly incurred, but which does not result in an asset owned by the Authority e.g. grants to other organisations for capital purposes.                                                                                                                                                                                                                                                       |
| Unusable Reserves                                     | The Authority cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulation'. |
| Usable Reserves                                       | Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.                                                                                                                                                                                                                                                  |
| Useful Life                                           | The period over which the Authority will derive benefits from the use of a fixed asset.                                                                                                                                                                                                                                                                                                                                 |



**Independent Auditor's Report to the Members of the North of Tyne Combined Authority**





This page is intentionally left blank



**Subject: NTCA Second Quarter Budget Monitoring Report**

**Report of Chief Finance Officer**

**Portfolio: All**

### Report Summary

This report is the second quarter monitoring report to Cabinet on the 2020/21 financial position. The report brings together the forecast financial position for both the Corporate, Investment Fund and Adult Education Budget and provides an indication of the potential position of the Combined Authority at 31<sup>st</sup> March 2021. The report reflects a six-month detailed budget review undertaken for the Combined Authority and the potential position on reserves at the year end.

This report also presents the Treasury Management Mid-Year Review up to and including 30 September 2020.

### Recommendations

The Cabinet is recommended to:

1. note the forecast budget monitoring position for the Combined Authority as set out in paragraphs 1.2 through to 1.7;
2. agree the distribution of the 75% Business Rates Retention Pilot surplus as set out in paragraph 1.3;
3. note the Treasury Management Mid-Year update position as set out in paragraph 1.8; and
4. Note the Capital Monitoring position as set out in paragraph 1.9.

## 1. Background Information, Proposals and Timetable for Implementation

### 1.1 Summary

Cabinet approved the 2020/21 budget on 28<sup>th</sup> January 2020. Included in that budget was estimated expenditure across the year for both the Corporate Budget, Investment Fund and the Adult Education Budget.

The budgets were set reflecting the continued development of the Combined Authority and were based on a range of estimates in terms of the establishment of the authority's staffing structure, and the systems required to support the delivery and monitoring of projects and programmes aligned with its vision. As part of the process to set the 2020-21 budget Overview and Scrutiny committee asked that a mid -year review of the budget was undertaken. This has been carried out as part of the normal monitoring process, where a

line by line review of the in-year position and its implications for the year end and future years has been considered. Employee budgets have been reviewed in full. Additional staff have been appointed in year with funding for the increased capacity being achieved through review of SLA budgets in light of requirements of the Combined Authority.

## 1.2 Corporate Budget

The Corporate Budget for 2020/21 approved at January 2020 Cabinet, set a zero-net income/expenditure position

Table 1 below sets out the forecast outturn position as at quarter two across the key income and expenditure heads. The forecast position for the year end, at this stage, continues to show a net balanced forecast position where additional income streams have allowed for a reduction in the in-year contribution from the Investment fund.

**Table 1: Q2 Budget Monitoring 2020/21 Corporate Budget**

|                                         | Budget          | Forecast        | Variance<br>Over/(Under) |
|-----------------------------------------|-----------------|-----------------|--------------------------|
|                                         | £'000           | £'000           | £'000                    |
| <b>Expenditure</b>                      |                 |                 |                          |
| Staffing                                | 2,400           | 2,210           | (190)                    |
| Advisors External                       | 70              | 362             | 292                      |
| Other costs                             | 540             | 751             | 211                      |
| SLA's                                   | 403             | 286             | (117)                    |
| Transport Levy                          | 27,074          | 27,074          | 0                        |
| <b>Total Expenditure</b>                | <b>30,487</b>   | <b>30,683</b>   | <b>196</b>               |
|                                         |                 |                 |                          |
| <b>Income</b>                           |                 |                 |                          |
| Mayoral Capacity Fund                   | (750)           | (1,000)         | (250)                    |
| Contributions from CAs                  | (111)           | (111)           | 0                        |
| Investment Fund                         | (1,649)         | (1,245)         | 404                      |
| Investment Fund workstream funded posts | (207)           | (207)           | 0                        |
| AEB Implementation Fund                 | (130)           | (130)           | 0                        |
| AEB contribution                        | (396)           | (396)           | 0                        |
| Brownfield Housing Fund Revenue Stream  | 0               | (195)           | (195)                    |
| Interest Receivable                     | (170)           | (325)           | (155)                    |
| JTC Levy                                | (27,074)        | (27,074)        | 0                        |
| <b>Total Income</b>                     | <b>(30,487)</b> | <b>(30,683)</b> | <b>(196)</b>             |
| <b>Net (Income)/Expenditure</b>         | <b>0</b>        | <b>0</b>        | <b>0</b>                 |

### Corporate Expenditure Variances

#### Staffing

Work has been undertaken in relation to workforce planning to explore the capacity of NTCA in the light of increasing numbers of projects and programmes, this covered recruitment, capacity management and the retention of a competent, productive and collegiate workforce with the aim of creating a long-term staffing plan. Progress has already been made in line

with this with 4 new key posts filled, two new Appraisal and Monitoring Officers, a Programme Officer and Good Work Pledge Officer. These are all funded from available programme funds. There are now 44 staff directly employed by the North of Tyne Combined Authority (NTCA).

Staffing estimates reflect a lower rate of employer superannuation (5.2%) from the introductory rate applied in 2019/20 (25.2%). This is a contributory factor in the underspend on staffing expenditure.

### **Advisors External**

The increase reflected in the Advisors External forecast position is primarily in relation to the sector commissioning work which had originally been commissioned in 2019/20 as part of establishing the pipeline delivery in relation to the Investment Fund and the Adult Education Work (AEB). The delivery of this work will be completed in 2020/21 with the approval given at July Cabinet to carry forward the funding to cover this (£0.200m). Also included in the expenditure forecast position is the cost for the design of the new website (£0.030m) which is now up and running, and also the cost for year one of the new Management Information System to support project delivery (£0.057m).

### **Other Costs**

This category forecasts an overspend (£0.211m). The anticipated uplift is in relation to recruitment and training costs (£0.050m), the assumed increase in accommodation costs for the Lumen for last two months of the year (£0.020m) and the contribution in relation to employee pension costs as part of the LEP transition (£0.140m), which is funded by the authority's saving on Pension contributions as planned.

### **Service Level Agreements**

The Service Level Agreements (SLAs) cover IT, insurance, communications, payroll, governance, audit and HR. The approach to Service Level Agreements (SLA's), the aim is to maintain a cost effective, efficient and collegiate approach. Work has been undertaken in respect of the review of the SLAs for 2020/21 with the aim to renegotiate those which require adjustment, this has resulted in a decrease in forecast expenditure against the budget of £0.117m to date.

### **Joint Transport Committee levies**

These will remain as per budget.

### **Income**

The key source of income supporting the Corporate expenditure budget is the annual contribution from the Investment Fund, including income for posts funded from specific workstreams (£0.207m) within the Fund such as the Digital, Education Challenge and Returnship posts. In addition to these there is the £0.037m contribution received from each of the three constituent authorities (£0.111m in total).

The Mayoral Capacity Fund has been confirmed at an additional £0.250m for 2020/21 against the original expected allocation of £0.750m. This additional funding has helped towards the reduction in the level of Investment Fund contribution towards the Corporate budget. Mayoral Capacity Funding has been received from the year of inception in 2018/19 to 2020/21 for the purpose of supporting the establishment of the Combined Authority,

2020/21 is the final year this funding will be received. The first tranche of AEB devolution funding was received in July 2020 (£13.245m) for the part academic year to March 2021, this has provided an income stream to the Corporate Fund to support to delivery of (£0.396m), together with the additional remaining amount of AEB Implementation funding (£0.130m).

Cabinet are aware that the authority will be delivering the Brownfield Housing Fund, a capital allocation of £24m over 5 years. In addition to the capital element a one-year revenue funding stream of £0.550m has been confirmed to help support capacity to deliver the fund. There is a requirement that the revenue allocation is spent in full during 2020-21, as we are still in the early stages of development of the fund this report sets out the current level of anticipated expenditure during this period. Work continues to ensure the maximum amount of eligible expenditure is identified across the NTCA and the constituent authorities to minimise the risk of losing any of this funding from the North of Tyne region.

Interest on investment income budget was set at a prudent level of £0.175m. The NTCA has now received its third amount of Devolution funding from MHCLG taking the total to £60.000m. As anticipated at this stage the majority of the funds are being invested, in line with the Treasury Management Strategy, with other Local Authorities to earn interest levels over and above what can be achieved with the Debt Management Office. The NTCA became the accountable body for the North East LEP on 1<sup>st</sup> April 2020 and is therefore responsible for managing their cashflow. The additional cash balances available to invest has widened the opportunity to invest longer term (up to 12 months) thereby achieving marginally higher interest rates. The anticipated level of interest income due in relation to NTCA investments alone is £0.324m. The Treasury Management mid-year in paragraph 1.8 provides more detail.

1.3

#### **75% Business Rates Pilot.**

Cabinet will recall that during 2019/20 the three constituent authorities took part in the 75% Business Rates Retention programme. As part of that, the position anticipated was that surplus Business Rates above the 49/50% retained by the three authorities would be retained in the region. The outcome is set out below:

Newcastle City Council Surplus £713,368  
North Tyneside Council Surplus £1,841,479  
Northumberland County Council Surplus £2,321,945

Total £4,876,792.

These values have been verified as part of the 2019/20 Audit of the Statement of Accounts by each external auditor and whilst not fully concluded these values are not subject to any outstanding questions and are therefore not expected to change. It is proposed that these surplus balances are issued to the Constituent Authorities in order to support the actions being taken as part of the management of issues arising from the impact of the COVID-19 Pandemic.

1.4

#### **Investment Fund**

Delivery on the Investment Fund is gathering momentum with a healthy pipeline of funding proposals to deliver across the NTCA priorities, working with portfolio holders to progress work around the key sectors, providing support to businesses and residents through this challenging time.

This is evidenced in the increase of committed and defrayed expenditure, in addition to the outcome's the projects are reporting. This includes the recruitment of people into new employment opportunities created as a direct result of our investment.



## Projects

- The total Investment Fund commitment stands at £40.33m against 48 live contracts.

## Jobs

- The number of forecast jobs to be created has increased from 2657 to 2732 (based on current commitments)
- The number of forecast jobs safeguarded stands at 1782.

## Private Sector Leverage

- Forecast private sector leverage has risen to £104.56m (circa 5% of the £2.1bn target) representing a £460,000 increase due to the approval of NICD bespoke delivery programme for North of Tyne.

## Claimed Funding

- Expenditure claimed to date stands at £1.15m with £0.363 paid out to projects in August.
- Q2 claim returns due at the end of October, is currently forecasting circa £2.00m expenditure.

## Project & Programme Risk

The impact of the COVID-19 Pandemic on delivery had reduced slightly but continues to be closely monitored as infection rates and restrictions increase. Table 2 shows the approvals to date against the overall indicative programme Cabinet approved for the first 5 years of the plan.

**Table 2 Commitment against Investment Fund Thematic Area**

|                                                   | <b>Current<br/>2018-2023<br/>Committed</b> | <b>2018-2023<br/>Allocation</b> | <b>% Allocated</b> |
|---------------------------------------------------|--------------------------------------------|---------------------------------|--------------------|
|                                                   | <b>£m</b>                                  | <b>£m</b>                       |                    |
| <b>Business</b>                                   | <b>17.88</b>                               | <b>38.00</b>                    | <b>47%</b>         |
| <b>People</b>                                     | <b>8.12</b>                                | <b>16.30</b>                    | <b>50%</b>         |
| <b>Place</b>                                      | <b>6.59</b>                                | <b>13.70</b>                    | <b>48%</b>         |
| <b>Major Strategic Economic<br/>Opportunities</b> | <b>5.80</b>                                | <b>17.50</b>                    | <b>33%</b>         |
| <b>Business Case Development Fund</b>             | <b>1.95</b>                                | <b>4.50</b>                     | <b>43%</b>         |
|                                                   | <b>40.34</b>                               | <b>90.00</b>                    | <b>45%</b>         |

The COVID-19 pandemic continues to have an impact on delivery across the programme, elsewhere on the agenda, within the Investment Fund update outlines a proposal to allocate £10m of Investment Funds to proceed with a North of Tyne Recovery Innovation Deal to support post-COVID-19 adaptation and innovation – supporting businesses, social enterprises

and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis.

Table 3 below shows the projected forecast expenditure for 2020/21 on the Investment Fund, as £15.845m reflecting the marked step change in volume of contracts and support of financial claims as projects come to fruition.

**Table 3 Budget Monitoring Investment Fund**

| Investment Fund                                    | Budget 2020/21  | Forecast 2020/21 | Variance     |
|----------------------------------------------------|-----------------|------------------|--------------|
|                                                    | Budget          | Forecast         | Variance     |
| <b>Expenditure</b>                                 | <b>£'000</b>    | <b>£'000</b>     | <b>£'000</b> |
| Work streams                                       | 13,773          | 14,100           | 327          |
| Technical Support                                  | 250             | 500              | 250          |
| Contribution to Corporate Costs                    | 1,400           | 1,245            | (155)        |
| <b>Total Expenditure</b>                           | <b>15,423</b>   | <b>15,845</b>    | <b>422</b>   |
| <b>Income</b>                                      |                 |                  |              |
| Investment fund                                    | (20,000)        | (20,000)         | 0            |
| <b>Total Income</b>                                | <b>(20,000)</b> | <b>(20,000)</b>  | <b>0</b>     |
|                                                    |                 |                  |              |
| <b>Net (Income)/Expenditure</b>                    | <b>(4,577)</b>  | <b>(4,155)</b>   | <b>422</b>   |
| <b>Investment Reserve brought forward</b>          | <b>(36,840)</b> | <b>(36,840)</b>  | <b>0</b>     |
| <b>Net Investment Fund Reserve carried forward</b> | <b>(41,417)</b> | <b>(40,995)</b>  | <b>422</b>   |

1.5

### **Adult Education Budget (AEB)**

The statutory order to devolve the Adult Education Budget to NTCA has now been made with the AEB transferred to NTCA for the academic year 2020-21 onwards.

With Cabinet approval the NTCA devolved AEB has been allocated to 29 education providers across 10 Grant Agreements and 21 Contracts for Services. Operational costs of delivery of the AEB are captured in the Corporate Budget and are illustrated in Table 4 with a contribution to corporate costs of £0.396m for the part- year of 2020/21.

Table 4 below reflects the high-level financial year plan for the AEB balanced budget with funding to be awarded to grant providers and other procured deliveries. All NTCA funded AEB providers have submitted a detailed delivery plan and payment profile for the funding year, which will provide the vehicle upon which the provider's performance will be monitored. Providers will be paid monthly, in arrears, against that profile, with reconciliation points throughout the year.

All 'in year' funding allocations and reconciliation processes will be guided by the commissioning principles set out in the AEB Strategic Skills Plan. NTCA will work closely with providers to ensure a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local skills needs, helping residents to improve their

quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.

Performance will be reviewed at quarterly monitoring points, the first of which is in November 2020. This will enable NTCA to have a more informed picture of delivery in the first quarter of 2020 and enable any gaps to be addressed and any growth to be supported. This ongoing monitoring will enable NTCA to respond to the ongoing COVID-19 crisis, any other 'Economic Shocks', unexpected fluctuations in the skills sector, and potential increases in digital entitlement.

**Table 4: Adult Education Budget on Financial Yr. profile 2020-21 – 2023-2024**

|                                         | 4 Year Adult Education Budget Summary |                 |                 |                 |                 |
|-----------------------------------------|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                         | 2020-21                               | 2021-22         | 2022-23         | 2023-24         | Total           |
|                                         | £'000                                 | £'000           | £'000           | £'000           | £'000           |
| <b>Expenditure</b>                      |                                       |                 |                 |                 |                 |
| Grant Awards                            | 8,014                                 | 15,369          | 15,369          | 15,369          | 54,121          |
| Procured Services                       | 4,869                                 | 6,659           | 6,659           | 6,659           | 24,846          |
| Corporate Contribution                  | 396                                   | 678             | 678             | 678             | 2,430           |
| <b>Total Expenditure</b>                | <b>13,279</b>                         | <b>22,706</b>   | <b>22,706</b>   | <b>22,706</b>   | <b>81,397</b>   |
|                                         |                                       |                 |                 |                 |                 |
| <b>Income</b>                           |                                       |                 |                 |                 |                 |
| <b>Funding Sources and Total Income</b> | <b>(13,279)</b>                       | <b>(22,706)</b> | <b>(22,706)</b> | <b>(22,706)</b> | <b>(81,397)</b> |
|                                         |                                       |                 |                 |                 |                 |
| <b>Net Position (Inc)/Exp</b>           | <b>0</b>                              | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>        |

**Table 5: Budget Monitoring AEB**

|                                         | 2020-21         | 2020-21 Q2 Spend | Forecast 2020-21 |
|-----------------------------------------|-----------------|------------------|------------------|
|                                         | £'000           | £'000            | £'000            |
| <b>Expenditure</b>                      |                 |                  |                  |
| Grant Awards                            | 8,014           | 1,933            | 8,014            |
| Procured Services                       | 4,869           | 887              | 4,859            |
| Corporate Contribution                  | 396             | 96               | 396              |
| <b>Total Expenditure</b>                | <b>13,279</b>   | <b>2,916</b>     | <b>13,279</b>    |
|                                         |                 |                  |                  |
| <b>Income</b>                           |                 |                  |                  |
| <b>Funding Sources and Total Income</b> | <b>(13,279)</b> | <b>(2,916)</b>   | <b>(13,279)</b>  |
|                                         |                 |                  |                  |
| <b>Net Position (Inc)/Exp</b>           | <b>0</b>        | <b>0</b>         | <b>0</b>         |

Academic Year 2020-21 COVID-19 Response allocation

A one year only amount of £959,064 was received in 2020-21 to invest in High Value Courses and sector-based work academy programmes as part of the Chancellor's announcement on the Plan for Jobs to support Young People during the COVID-19 crisis. Table 6 provides the breakdown of commitment against the £959,064.

**Table 6 Additional Devolved AEB Allocation**

1.6

|                                                   |                 |
|---------------------------------------------------|-----------------|
| <b>NTCA Additional Devolved AEB Allocation</b>    | <b>£959,064</b> |
| 3% Administration Costs                           | £28,772         |
| Grant Allocations for High Value Course Offer     | £419,932        |
| Grant Allocations for Sector-based Work Academies | £476,006        |
| <b>Total Additional AEB allocated</b>             | <b>£924,710</b> |
|                                                   |                 |
| Amount Remaining to allocate                      | £34,354         |

### **Brownfield Housing Fund**

The Brownfield Housing Fund was first announced in the March 2020 National Budget to support Mayoral Combined Authorities and their local areas develop housing on brownfield land. Overall, £276m has been allocated to the six northern city regions, North of Tyne Combined Authority has been awarded £24m over a 5-year period with a £0.550m revenue capacity support grant (for 2020-21 only).

Brownfield Housing Fund specifically supports sites with an identified market failure due to site conditions. The programme is part of a broader housing programme the Housing and Land Board have in development, that aims to bring forward a pipeline of sites shaping a longer-term strategic delivery approach. Different funding streams and partnership arrangements will be used to best meet priorities across the area.

**Table 7: Brownfield Housing Fund**

1.7

| Year               | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total         |
|--------------------|---------|---------|---------|---------|---------|---------------|
|                    | £m      | £m      | £m      | £m      | £m      | £m            |
| <b>BFH Revenue</b> | 0.410   | 0.140   |         |         |         | <b>0.550</b>  |
| <b>BFH Capital</b> | 5.000   | 8.100   | 6.700   | 3.100   | 1.100   | <b>24.000</b> |

The Brownfield Housing Fund is still in the early stage of development and therefore the profile of the revenue capacity funding is indicative at this stage. It is anticipated that a proportion will be allocated to Local Authority partners to aid their delivery, with the remaining balance to support in-house capacity and appraisal development.

### **Reserves**

Based on the current assumed forecast outturns set out above in paragraphs 1.2 and 1.3 an update on the reserves position is shown in Table 8.

**Table 8: Movement in Reserves**

| <b>Reserves Statement</b>               | <b>Opening Balance<br/>1 April<br/>2020</b> | <b>Transfer<br/>In/(Out)<br/>during<br/>2020/21</b> | <b>Closing<br/>Balance<br/>31 March<br/>2021</b> |
|-----------------------------------------|---------------------------------------------|-----------------------------------------------------|--------------------------------------------------|
|                                         | <b>£'000</b>                                | <b>£'000</b>                                        | <b>£'000</b>                                     |
| Homeless Veteran Grant Reserve          | 91                                          | (91)                                                | -                                                |
| Preparing to Exit Europe Grant          | 272                                         | (91)                                                | 181                                              |
| Business Rates Pilot 2019/20            | 4,877                                       | (4,877)                                             | -                                                |
| Strategic Reserve                       | 200                                         | -                                                   | 200                                              |
| Investment Fund Reserves                | 36,840                                      | 4,155                                               | 40,955                                           |
| <b>Total General (Useable) Reserves</b> | <b>42,280</b>                               | <b>(904)</b>                                        | <b>41,376</b>                                    |

The Homeless Veteran Grant was received in 2018/19, since then the three constituent authorities have been working with the NTCA officers to agree the appropriate use of the grant. The impact of COVID-19 has led to a delay in some of the work, however, it is still anticipated that the grant will be drawn down during 2020/21.

Cabinet are aware that late in 2018/19 the Combined Authority was awarded a £0.091m grant to support the preparations for the exit from the European Union and further to this Cabinet agreed a proposed approach to BREXIT at its meeting on 5 February 2019. Officers have worked with the LEP and have committed £0.091m to support additional capacity to assist in the delivery of a Brexit work programme over the North of Tyne and North East Combined Authority area. An additional £0.181m grant was awarded in 2019/20 in respect of preparations for the exit from the European Union, no commitments have been identified against this award and therefore the monies have been transferred into reserves pending a plan being agreed.

**1.8**

A new earmarked reserve has been set up of (£4.877m) in relation to the Business Rates Pilot undertaken in 2019-20, this includes Business Rates Pool monies from the three constituent authorities. As set out in paragraph 1.3 this will be distributed to the constituent authorities this financial year.

**Treasury Management Mid-Year Review**

In line with the CIPFA Code of Practice on Treasury Management in the Public Services, the Authority is required to approve a treasury management strategy before the start of each financial year and to monitor/report performance against the strategy (with a mid-year review). Cabinet approved the 2020/21 Treasury Management Strategy on 28th January 2020.

A key part of the Authority's treasury management function is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Authority's low risk policy, providing adequate security and liquidity before considering investment return.

A key element of the treasury management function is the management of the funding associated with the Authority's capital investment plans. These capital plans provide a guide to any borrowing needs of the Authority, essentially the longer-term cash flow planning to ensure that the Authority can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses.

## Mid-year update position

### Borrowing

At this current time the Authority does not have the powers to borrow other than for Transport responsibilities, the borrowing that will be reflected in this Authority's statement of accounts relates to historic Tyne and Wear Transport activities and the financing and borrowing costs are met by the Tyne and Wear Levy. Details of which are included the Treasury Management Strategy and Prudential Indicators of the North East Combined Authority as the appointed accountable body.

### Financial Investments

The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Authority's investment strategy will give consideration to core balances and cash flow requirements and the outlook for short-term interest rates. Where cash flow identifies cash sums that could be invested for longer periods (potentially obtaining a greater return), the value to be obtained from longer term investments will be carefully assessed.

If it is thought that the Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable. Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

To date the authority has invested solely in investments defined as Specified Investments these are investments which are denominated in sterling; repayable within 12 months (either because of an expiry date or through a non-conditional option); not defined as capital expenditure by legislation; and invested with a body or in an investment scheme described as high quality or invested with one of: the UK Government; a Local Authority; or a Parish Council or Community Council. The authority's financial limits against this type of investment is shown in the table below:

**Table 9: NTCA Investment Limits**

| Type of institution                            | Financial Limit | Time Limit                                       |
|------------------------------------------------|-----------------|--------------------------------------------------|
| UK central government (Debt Management Office) | £50m            | Unlimited                                        |
| Money Market Funds AAA                         | £5m each        | Liquid                                           |
| Term deposits with Bank and Building Societies | £5m each        | 12 months<br>6 months<br>100 days<br>Not for use |
| UK Local authorities                           | £10m each       | 1 year                                           |

|                                                           |           |                                                  |
|-----------------------------------------------------------|-----------|--------------------------------------------------|
| Certificate of Deposits with banks and building societies | £5m each  | 12 months<br>6 months<br>100 days<br>Not for use |
| UK Government Treasury Bills                              | £10m each | 1 year                                           |
| Local Authority controlled companies in the NTCA area     | £5m       | 5 years                                          |

The latest projection of investment income for 2020/21 is £0.324m. This represents an increase in the income forecast of £0.154m when compared to the budget of £0.170m. The original budget was set at a prudent level and based on primarily investing with the Debt Management Office (DMO). NTCA have now onboarded with brokers ICAP, Tradition and Imperial to enable investment with other Local Authorities for a term up to 12 months in line with the Treasury Management Strategy, which allows higher levels of interest to be achieved than that of the DMO.

NTCA became the accountable body for the North East LEP (LEP) from the 1<sup>st</sup> April 2020, as such NTCA is responsible for managing the cashflow of the LEP in addition to its own. As at quarter 2 the NTCA has £148m invested with other local authorities for a term no greater than 1 year. This investment total includes £69.245m of NTCA monies (£56m Investment Fund, and £13.245m AEB), and £75.870m of LEP monies invested (£14.9m Local Growth Fund, £23.5m Getting Building Fund and £6.9m repayment in relation to EZ and £30m NEIF balances carried over from NECA), the balance of investment reflects payments out already made within the year. Income from interest on these investments forecast to year-end is £0.679m to be split at year end between NTCA and LEP in proportion to level of income invested at this mid-year point the proportion of investment income due to NTCA and LEP is £0.324m and £0.355m respectively. The additional level of investment income has allowed investments to be placed for a longer-term (up to 1 year) attracting higher levels of interest.

Link Asset Services produces a quarterly Investment Benchmarking report that assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return, which is used for comparison across other similar Authorities. In the most recent report that covers the position as at 30 September 2020, the Combined Authority achieved a weighted average rate of return of 0.459% on investments. This exceeds the risk adjusted expectations as defined in the benchmarking report of between 0.1800% and 0.3500%.

Given that average Money Market Fund return started at rates of 0.280% to 0.480% in April and have fallen to below 0.100% as at 30 September 2020, the achievement of an average rate of return of 0.459% is worth noting. This has been achieved through the placement of funds with a number of Local Authorities for up to 12 months at rates of 0.700% to 1.000%. Analysis of cash flow forecasts early in the year (March 2020, following the first cut to Bank Rate) identified that funds could be placed for this duration due to the increased level of investment income as a result of the additional LEP monies. This provided an opportunity to agree 'forward' deals with Local Authorities that were concerned about liquidity in the market and anticipated a need at that time.

It continues to be a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in-line with the Bank Rate. This is particularly the case following the two latest bank rate cuts in March 2020.

**1.9** Link Asset Services indicates in its forecast that there is no increase in Bank Rate expected within the forecast horizon ending on 31<sup>st</sup> March 2023.

All investments made are in line with NTCA’s Treasury Management Strategy and are considered a low risk counterparty/instrument commensurate with the Authority’s low risk policy, providing adequate security and liquidity before considering investment return.

### Capital Spend Reporting

Like any other authority NTCA has to report on capital expenditure. To date there have been approvals of a capital nature through the Investment Fund and set out earlier in the report the Brownfield Housing Fund is a capital allocation. The capital profile also includes anticipated capital expenditure in relation to the Lumen fitout, which is to be funded from the Investment Fund Reserve.

To date Investment fund contracted capital projects includes the NU Futures project at £2m. and there are potentially a further £14.2m capital programmes/projects identified in the pipeline that have been identified for future consideration by the Investment Panel.

Taking these into consideration the Capital Programme can be summarised below:

**Table 10: NTCA Capital Programme Profile**

| Year                            | 2020/21      | 2021/22      | 2022/23      | 2023/24      | 2024/25      | Total         |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                                 | £m           | £m           | £m           | £m           | £m           | £m            |
| Investment Fund                 | 1.047        | 0.924        | 0.029        |              |              | 2.000         |
| Brownfield Housing Programme    | 5.000        | 8.100        | 6.700        | 3.100        | 1.100        | 24.000        |
| Lumen Fit out                   | 0.200        | 0.100        |              |              |              | 0.300         |
| <b>Total Capital Investment</b> | <b>6.247</b> | <b>9.124</b> | <b>6.729</b> | <b>3.100</b> | <b>1.100</b> | <b>26.300</b> |

## 2. Potential Impact on Objectives

2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Combined Authority, detailing the key priorities and the steps in the journey around the six key pillars. The Treasury Management Strategy will support and enable the budget process so that the Combined Authority can properly discharge its functions and assist in delivering the Combined Authority’s vision, policies and priorities.

## 3. Key Risks

3.1 As highlighted in the report there is a key risk to programme delivery to the Investment Programme and Adult Education Budget as a result of Corvid-19, the mitigations for this is detailed in the report and reported through the Investment Fund update report to Cabinet. No other risks identified at this time.

## 4. Financial and Other Resources Implications



4.1 This is a financial report with any financial or resource implications set out in the report.

## **5. Legal Implications**

5.1 The Combined Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy's Prudential Code: Capital Finance in Local Authorities and the Ministry of Housing, Communities and Local Government (MHCLG) Statutory Guidance on Local Government Investments.

## **6. Equalities Implications**

6.1 There are no direct equalities implications arising out of the recommendations in this report.

## **7. Inclusive Economy Implications**

7.1 There are no direct inclusive economy implications arising out of the recommendations in this report.

## **8. Climate Change Implications**

8.1 There are no direct climate change implications arising out of the recommendations in this report.

## **9. Consultation/Engagement**

9.1 The Treasury Management Policy and Strategy was included with the 2019/20 Budget which was subject to consultation with NCTA constituent authorities, NTCA Cabinet in addition to key officer groups. The 2019/20 Budget is based on the devolution deal and the Parliamentary Order which created the Combined Authority and the Combined Authority's Vision which has been agreed by Cabinet and is being shared with stakeholders in a range of events.

## **10. Appendices**

10.1 None

## **11. Background Papers**

11.1 January 28, 2020 – 2024 Budget Report  
Quarter 1 Budget Monitoring Report July 28, 2020 Cabinet

## **12. Contact Officers**

12.1 Janice Gillespie, Chief Finance Officer,  
[Janice.gillespie@northoftyne-ca.gov.uk](mailto:Janice.gillespie@northoftyne-ca.gov.uk) 0191 643 5701

This page is intentionally left blank



**Subject: 2021-2025 NTCA Budget Proposals**  
**Report of: Interim Chief Finance Officer**  
**Portfolio: All**

---

## Report Summary

The purpose of this report is for Cabinet to consider the initial draft budget for the North of Tyne Combined Authority (NTCA) for 2021/22, and the medium-term financial plan for the period 2022/23 to 2024/25. The report will outline the draft budget in respect of the Corporate Budget, Investment Fund, Adult Education Budget and the new Brownfield Housing Fund. The report also outlines the context within which the budget proposals have been prepared in relation to COVID-19 and the delay of the Comprehensive Spending Review (CSR).

NTCA are the accountable body for the North East Local Enterprise Partnership (LEP) and as such this report includes proposals for the North East LEP accountable body budget.

## Recommendations

The Cabinet is recommended to:

1. Agree the draft Corporate Budget for 2021/22 as set out in paragraph 1.1 which will then be subject to consultation with Overview and Scrutiny Committee
2. Agree the draft Investment Fund as set out in paragraph 1.2 which will then be subject to consultation with Overview and Scrutiny Committee
3. Agree the draft Adult Education Budget as set out in paragraph 1.3 which will then be subject to consultation with Overview and Scrutiny Committee
4. Agree the Brownfield Land Programme Budget as set out in paragraph 1.4 which will then be subject to consultation with Overview and Scrutiny Committee
5. Note the Tyne and Wear levies will be issued on the 15<sup>th</sup> February 2021
6. Agree to hold the reserves set out in paragraph 1.5 and note the Chief Finance Officer continues to keep the level of resources under review as the Authority develops and new information becomes available about the financial risks facing authority arrangements for managing risks.
7. Note the North East LEP Accountable Body Budget, paragraph 1.6

## **1. Background Information, Proposals and Timetable for Implementation**

The draft budget and medium-term financial plan has been developed within the context of the strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the authority's strategic plans can be delivered within the financial resources available.

In developing these budget proposals, the Mayor and Cabinet have been clear in their approach to ensuring the North of Tyne Combined Authority is a lean organisation. The budget proposals include the anticipated capacity required to deliver the ambition of the Combined Authority. In the light of increasing numbers of projects and programmes, this has included recruitment, capacity management and retention of a competent, productive and collegiate workforce with the aim of creating a long-term staffing plan. The organisation may grow in the future and that will be based on a set of consistent set of agreed principles appropriate for the authority.

The 2021/22 Budget is being prepared in exceptional circumstances. Nationally, the Comprehensive Spending Review (CSR), which would have set out the Government's spending plans over the next three years, has been delayed and a one-year spending round is due to be announced by the Chancellor on 25 November 2020. There is an expectation this will delay any response to the authority's request for further devolution which was clearly set out in the submission to the CSR.

When the 2020/21 Budget and MTFP were agreed in February, nobody could have predicted the financial impact of the COVID-19 pandemic both nationally and locally. Reports published by both the Office for National Statistics and the Office for Budget Responsibility describe the significant economic impact that COVID-19 has had on public sector finances; this impact has also been felt locally.

Throughout the response to the pandemic, the Authority has worked with regional colleagues to support the submission for Recovery Support and Finance for the North East. In addition the Authority has taken a proactive approach to support for particular sectors impacted by the Pandemic, some examples of this include the continuation of the support to enhance short-term skills, jobs and inclusive economy interventions – Kickstart, Youth Hubs, Good Work Pledge, Culture and Tourism Recovery, Climate innovation and Growth of the Digital Sector. Included in the Investment Fund update to Cabinet today is the proposed allocation of £10.000m of Investment Funds to proceed with a North of Tyne Recovery Innovation Deal to supporting our businesses, social enterprises and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis.

It is important the Cabinet note these initial draft budgets are based on current information and trajectory of delivery of programmes and projects. As demonstrated in the authority's response to COVID-19 the need to remain flexible continues and as such the budgets will continue to be reviewed and changes recommended as appropriate.

### **1.1 Draft Corporate Budget**

On 28 January 2020 Cabinet agreed the NTCA 2020/21 budget and medium-term financial plan for three years hence 2020/21 to 2024/25.

As NTCA continues to grow consideration has been given to the flexibility required of the Combined Authority. Table 1 below identifies the proposed core draft budget that is required to operate the Combined Authority and how it is to be funded.

**Table 1: 2021 Budget and 2022-25 Financial Plan**

|                               | 4 Yr. Corp Budget - Summary |                 |                 |                 |                  |
|-------------------------------|-----------------------------|-----------------|-----------------|-----------------|------------------|
|                               | 2021/22                     | 2022/23         | 2023/24         | 2024/25         | Total            |
|                               | £000                        | £000            | £000            | £000            | £000             |
| <b>Expenditure</b>            |                             |                 |                 |                 |                  |
| Staffing                      | 2,254                       | 2,330           | 2,394           | 2,444           | 9,422            |
| Mayor's Office                | 262                         | 268             | 273             | 279             | 1,082            |
| Other Costs                   | 977                         | 975             | 975             | 975             | 3,902            |
| Transport Levy                | 27,074                      | 27,074          | 27,074          | 27,074          | 108,296          |
| SLAs                          | 318                         | 321             | 321             | 321             | 1,281            |
| <b>Total Expenditure</b>      | <b>30,884</b>               | <b>30,968</b>   | <b>31,037</b>   | <b>31,093</b>   | <b>123,983</b>   |
|                               |                             |                 |                 |                 |                  |
| <b>Income</b>                 |                             |                 |                 |                 |                  |
| Grant Income                  | (3,810)                     | (3,894)         | (3,963)         | (4,020)         | (15,687)         |
| Transport Levy                | (27,074)                    | (27,074)        | (27,074)        | (27,074)        | (108,296)        |
| <b>Total Income</b>           | <b>(30,884)</b>             | <b>(30,968)</b> | <b>(31,037)</b> | <b>(31,094)</b> | <b>(123,983)</b> |
|                               |                             |                 |                 |                 |                  |
| <b>Net Position (Inc)/Exp</b> | <b>0</b>                    | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>         |

As the North of Tyne Combined Authority develops the Mayor and Cabinet has continued to work with officers to maximise the opportunities of the three constituent authorities working together efficiently and effectively with the North of Tyne Combined Authority.

The bulk of expenditure is funded through devolved funding secured through the devolution deal, and contributions from constituent authorities of £37,000 each and will be regularly reviewed as the delivery of key priorities and actions progress

### **Transport Levies**

As for 2020/21 the authority will be required to raise the levies on the constituent authorities, so an important part of the budget setting process is ensuring the timetable meets the relevant statutory deadlines for the issuing of the Transport Levy. The relevant dates for the Joint Transport Committee meetings have been included within timetable at Appendix A.

## **1.2 Draft Investment Fund Budget**

The Investment Fund sets out costs associated with the development, management of and delivery of projects to be funded through the Investment Fund.

Delivery on the programme is now in full swing, a healthy pipeline has been established and includes a broad range of funding proposals which will deliver across the authority's priorities. Project proposals continue to progress through the assurance framework with pace remaining an important focus. Work has continued with portfolio holders to progress work around the key sectors identified for investment and to provide support to businesses and residents through this challenging time.

During this current financial year there has been a rapid increase of committed and defrayed expenditure, and more importantly in the outcome's projects are reporting. This includes the recruitment of people into new employment opportunities created as a direct result of our investment.

To date the Investment Fund has achieved the following outcomes.

### **Projects**

- The total Investment Fund commitment stands at £40.33m against 48 live contracts.

### **Jobs**

- The number of forecast jobs to be created has increased from 2657 to 2732 (based on current commitments)
- The number of forecast jobs safeguarded stands at 1782.

### **Private Sector Leverage**

- Forecast private sector leverage has risen to £104.56m (circa 5% of the £2.1bn target) representing a £460,000 increase since the last report to Investment Panel in October.

### **Claimed Funding**

- Expenditure claimed to date stands at £1.15m with £0.363m paid out to projects in August.
- Q2 claim returns due at the end of October, currently forecast circa £2.00m.

### **Project & Programme Risk**

- The impact of the COVID-19 Pandemic is recognised as a risk to delivery and but continues to be closely monitored as infection rates and restrictions increase and change.

Based on the Mayor and Cabinet's current plans to deliver of the Vision the updated draft Investment Plan Budget is set out in Table 2 below. The Table sets out clearly the expected date of the 5-year Gateway review with an indication of cumulative spend at that stage. It is important to note that whilst the review will be in year 5 the authority was launched late in 2018/19 so the Table shows indicative spend for a period of just over 4 years.

**Table 2: NTCA Investment Fund Budget 2021/22 – 2024/25**

| TCA Investment Fund Budget 2021/22 - 2024/25  | Previous Years 2018-2021 | 21/22           | 22/23           | Total at 5-Yr Gateway Review £000 | 23/24           | 24/25           |
|-----------------------------------------------|--------------------------|-----------------|-----------------|-----------------------------------|-----------------|-----------------|
|                                               | £'000                    | £'000           | £'000           | £'000                             | £'000           | £'000           |
| <b>Expenditure</b>                            |                          |                 |                 |                                   |                 |                 |
| Business Case Development Fund                | 1,773                    | 1,000           | 500             | 3,273                             | 200             | 200             |
| Investment Projects                           | 13,720                   | 26,800          | 25,000          | 65,520                            | 20,000          | 10,000          |
| Technical Support                             | 500                      | 250             | 250             | 1,000                             | 200             | 100             |
| Contribution to Corporate Costs 10% top slice | 3,760                    | 2,188           | 2,206           | 8,154                             | 2,203           | 2,200           |
| <b>Total Expenditure</b>                      | <b>19,753</b>            | <b>30,238</b>   | <b>27,956</b>   | <b>77,947</b>                     | <b>22,603</b>   | <b>12,500</b>   |
|                                               |                          |                 |                 |                                   |                 |                 |
| <b>Income</b>                                 |                          |                 |                 |                                   |                 |                 |
| Funding Sources                               | (60,000)                 | (20,000)        | (20,000)        | (100,000)                         | (20,000)        | (20,000)        |
| <b>Total Income</b>                           | <b>(60,000)</b>          | <b>(20,000)</b> | <b>(20,000)</b> | <b>(100,000)</b>                  | <b>(20,000)</b> | <b>(20,000)</b> |
|                                               |                          |                 |                 |                                   |                 |                 |
| <b>Net Position (Inc)/Exp</b>                 | <b>(40,247)</b>          | <b>10,238</b>   | <b>7,956</b>    | <b>(22,053)</b>                   | <b>2,603</b>    | <b>(7,500)</b>  |
| <b>Cumulative Position</b>                    | <b>(40,247)</b>          | <b>(30,009)</b> | <b>(22,053)</b> |                                   | <b>(19,450)</b> | <b>(26,950)</b> |

Included in the budget is provision for Technical Support, this is a requirement of the Assurance Framework that Investment Fund proposals are subject to external independent testing. Any unspent Investment Fund will be held and transferred to a specific reserve at the year end to support the delivery of the programme of work in future years.

### 1.3 Draft Adult Education Budget (AEB)

As part of the devolution deal the Adult Education Budget was devolved to the authority with an effective start date of xx 2020. This provides the Authority with significant new powers and responsibilities in delivering both Mayoral and Cabinet priorities alongside the national skills agenda and priorities.

The geographical spread of provision for the devolved AEB aligns with travel to learn patterns in NTCA and that residents in rural parts of Northumberland and North Tyneside have access to local provision.

All NTCA funded AEB providers have submitted a detailed delivery plan and payment profile for the funding year, which will provide the vehicle upon which the provider's performance will be monitored. Providers will be paid monthly, in arrears, against that profile, with reconciliation points throughout the year.

All 'in year' funding allocations are guided by the commissioning principles set out in the AEB Strategic Skills Plan, working closely with providers to ensure a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local skills needs, helping residents

to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.

Funding allocations as a result of performance management and demand will not exceed the overall devolved AEB funding and will be guided by the commissioning principles set out in the AEB Strategic Skills plan.

NTCA will review the performance of the devolved AEB at quarterly monitoring points, the first of which is in November 2020, this will include performance management reviews which will inform allocations with an update to be taken to March Cabinet. This will enable NTCA to have a more informed picture of delivery in the first quarter of 2020 and enable any gaps to be addressed and any growth to be supported. This ongoing monitoring will enable NTCA to respond to any 'Economic Shocks', unexpected fluctuations in the skills sector, and potential increases in digital entitlement.

AEB operational costs are collected within the Corporate budget with a contribution of 3% of overall AEB income made towards Corporate support costs.

Table 3 below reflects a high-level balanced Budget with funding awarded to grant providers and other procured deliveries. The split between grant and procured service is detailed, based on historic delivery. This profile may change as the review of delivery changes develop as detailed above.

**Table 3: Adult Education Budget 2020/21 – 2024/25**

|                                           | AEB 5-Yr Financial Profile |                 |                 |                 |                  |
|-------------------------------------------|----------------------------|-----------------|-----------------|-----------------|------------------|
|                                           | 21/22                      | 22/23           | 23/24           | 24/25           | Total            |
|                                           | £'000                      | £'000           | £'000           | £'000           | £'000            |
| <b>Expenditure</b>                        |                            |                 |                 |                 |                  |
| Grant Awards                              | 15,369                     | 15,369          | 15,369          | 15,369          | 70,441           |
| Procured Services                         | 6,659                      | 6,659           | 6,659           | 6,659           | 30,520           |
| Admin Costs and contribution to Corporate | 678                        | 678             | 678             | 678             | 3,108            |
| <b>Total Expenditure</b>                  | <b>22,706</b>              | <b>22,706</b>   | <b>22,706</b>   | <b>22,706</b>   | <b>104,069</b>   |
|                                           |                            |                 |                 |                 |                  |
| <b>Income</b>                             |                            |                 |                 |                 |                  |
| Funding Sources                           | (22,706)                   | (22,706)        | (22,706)        | (22,706)        | (104,069)        |
| <b>Total Income</b>                       | <b>(22,706)</b>            | <b>(22,706)</b> | <b>(22,706)</b> | <b>(22,706)</b> | <b>(104,069)</b> |
| <b>Net Position (Inc)/Exp</b>             | <b>0</b>                   | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>         |
| <b>Cumulative Position</b>                | <b>0</b>                   | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>         |

#### 1.4 Brownfield Housing Fund

The Brownfield Housing Fund was first announced in the March 2020 National Budget to support Mayoral Combined Authorities and their local areas develop housing on brownfield land. Overall, £276m has been allocated to the six Northern city regions, North of Tyne Combined Authority has been awarded £24m over a 5-year period with a £0.550m revenue capacity support grant (for 2020-21 only).

Brownfield Housing Fund specifically supports sites with an identified market failure due to site conditions. The programme is part of a broader housing programme the Housing and Land Board have in development that aims to bring forward a pipeline of sites shaping a longer-term strategic delivery approach. Different funding streams and partnership arrangements will be used to best meet priorities across the area.



Table 4 below shows the profile of both the capital and linked revenue support grant over the life of the project.

**Table 4: Brownfield Housing Fund**

| Year                         | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | Total         |
|------------------------------|---------|---------|---------|---------|---------|---------------|
|                              | £m      | £m      | £m      | £m      | £m      | £m            |
| <b>BFH Revenue/ Reserves</b> | 0.410   | 0.140   |         |         |         | <b>0.550</b>  |
| <b>BFH Capital</b>           | 5.000   | 8.100   | 6.700   | 3.100   | 1.100   | <b>24.000</b> |

The revenue support grant is required to be spent in the first year of the project, with a marginal carry over into 2021/22.

#### 1.5 Reserves

As set out in the budget report to Cabinet on 4<sup>th</sup> December 2018, a Corporate reserve of £200k was created. The level of reserve will remain under review as the Combined Authority develops and new information becomes available about the financial risks facing NTCA and the arrangements in place for managing those risks.

#### 1.6 LEP Accountable Body Budget Proposals

NTCA is the accountable body for the North East Local Enterprise Partnership (North East LEP) and this report therefore includes proposals for the budget for providing corporate support as its accountable body.

All seven local authorities (LA7) in the North East area currently contribute £10,000 to meet the costs of the North East LEP Accountable Body role.

The budget for the North East LEP Accountable Body role (£116,400) primarily covers Service Level Agreement (SLA) charges (£91,600) and external costs (£24,640) funded from estimated interest on investment income on the NEIF and the LA7 contributions. The budget will need to be kept under review for any new areas of work that are identified over and above the budget that is agreed, the 2021/22 North East LEP Accountable Body Budget is proposed to be maintained at the same level as the current year which results in a net balanced budget position. Table 5 shows the 2021/22 North East LEP Accountable Body Budget.

**Table 5: 2021/22 North East LEP Accountable Body Budget**

|                                    | North East LEP Accountable Body Budget 2021/22 |
|------------------------------------|------------------------------------------------|
| <b>Expenditure</b>                 | <b>£</b>                                       |
| Service Level Agreements           | 91,600                                         |
| External Support                   | 24,640                                         |
| <b>Total Expenditure</b>           | <b>116,240</b>                                 |
| <b>Income</b>                      |                                                |
| LEP Accountable Body Contributions | (70,000)                                       |
| Interest Income (NEIF)             | (46,240)                                       |
| <b>Total Income</b>                | <b>(116,240)</b>                               |

Service Level Agreements are in the process of being standardised in relation to the North East LEP on transition across to the new accountable body, it was agreed 2020/21 SLA charges were kept at the same level, at this stage however, SLA's for 2021/22 are under review but is not expected that the overall budget will change and that the Local Authority contributions will remain at the current level.

## **2. Potential Impact on Objectives**

- 2.1 The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority. The budget will enable the Authority to properly discharge its functions and assist in delivering the Authority's vision, policies and priorities.

## **3. Key Risks**

- 3.1 There are no specific risks relating to this report.

## **4. Financial and Other Resources Implications**

- 4.1 The financial implications arising from the outcomes of this report will be appraised as part of the decisions made as to what will be included in the Authority's 2021-2025 Financial Plan, incorporating the 2021/22 Budget-Setting process.
- 4.2 The Mayor and Cabinet need to have due regard to the Chief Finance Officer's advice in relation to the levels of reserves and balances proposed as part of the four-year Financial Plan for 2021-2025 in accordance with the Authority's Reserves and Balances Policy.

## **5. Legal Implications**

- 5.1 The Authority is required to agree a balanced budget annually and to monitor that budget throughout the year. The Authority must also make provision for an adequate level of un-earmarked reserves. It is also required to ensure that good financial governance arrangements are in place.

## **6. Equalities Implications**

- 6.1 The Authority has specific responsibilities under the Equality Act 2010 and Public Sector Equality Duty. Part of this is to ensure that the potential effects of decisions on those protected by the equality's legislation are considered prior to any decision being made.
- 6.2 The Authority will continually monitor the effect of our Budget-setting process and decision-making by using equality impact assessments.
- 6.3 Full impact Equality Impact Assessments (EIA) will be included in all proposals for inclusion with the initial Budget proposals in November 2020 in order to be available to the Mayor and Cabinet when it further considers the Financial Plan and Budget proposals on 24 November 2020.

## **7. Inclusive Economy Implications**

- 7.1 There are no direct inclusive economy implications arising from the recommendations in this report. However, EIA's include inclusive economy implications and NTCA has adopted socio-economic disadvantage as a protected characteristic.

## **8. Climate Change Implications**

- 8.1 There is no direct climate changed implications arising from the recommendations in this report. However, climate change is considered within an EIA for projects.

## 9. Consultation and Engagement

- 9.1 The creation of the North of Tyne Combined Authority has been subject to significant regional and national engagement. The 2020/21 Budget was based on the devolution deal and the Parliamentary Order which created the Authority and the Authority's Vision which has been agreed by Cabinet and is being shared with stakeholders in a range of events.
- 9.2 Consultation with the Business Community and the Community and Voluntary Sector has continued through 2020/21 as part of the overall approach to engagement undertaken with these sectors. In addition, the attendance at Cabinet of both the Ambassador for business and the Ambassador for the Community and Voluntary sector will add to the opportunity for engagement. Consultation with the providers of the AEB has been undertaken since 2018/19 and have continued as the proposals for delivery of the AEB have developed.

## 10. Appendices

Appendix A Budget Timetable

## 11. Background Papers

NTCA Economic Vision

## 12. Contact Officers

Janice Gillespie, Interim Chief Finance Officer, E-mail address:

[Janice.gillespie@northtyneside.gov.uk](mailto:Janice.gillespie@northtyneside.gov.uk)

Tel: 0191 6435701

## 13. Glossary

|      |                                  |
|------|----------------------------------|
| MTFS | Medium Term Financial Strategy   |
| AEB  | Adult Education Budget           |
| MCA  | Mayoral Combined Authority       |
| NTCA | North of Tyne Combined Authority |

## Appendix A Budget Setting Timetable

| <b>DATE</b>                                                                                                                               | <b>EVENT/MEETING</b>                                  | <b>ACTION</b>                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 29 September 2020                                                                                                                         | Cabinet Meeting                                       | To consider and agree 2021/22 budget process/timetable for <b>both</b> the Authority and Mayoral budgets.                                                                                                                                                               |
| 13 October 2020                                                                                                                           | NTCA Overview and Scrutiny Committee                  | Update on the Budget process and timetable for <b>both</b> the Authority and Mayoral budget                                                                                                                                                                             |
| 24 November 2020                                                                                                                          | Cabinet Meeting                                       | Consider and agree the draft budget proposals in respect of the Authority                                                                                                                                                                                               |
| 8 December 2020                                                                                                                           | NTCA Overview and Scrutiny Committee                  | Receive the Authority's draft Budget proposals                                                                                                                                                                                                                          |
| 15 December 2020                                                                                                                          | Joint Transport Committee                             | Consider and agree draft transport budget/levy for consultation                                                                                                                                                                                                         |
| 12 January 2021                                                                                                                           | NTCA Overview and Scrutiny Committee Workshop         | Workshop to consider in detail the Authority's draft budget proposals and recommendations to Cabinet.                                                                                                                                                                   |
| 26 January 2021<br><br>Note: The Mayor's draft Budget must be presented before 1 February in any financial year.                          | Cabinet Meeting                                       | To consider outcomes of consultation and recommendations from Overview and scrutiny and agree final proposals for the Authority's Budget<br><br>Receive the Mayors draft budget proposals<br><br>Formally agree to issue the Transport Levy to constituent authorities. |
| 2 February 2021<br><br>15 February 2021 - Date by which Transport levies must be issued in line with Transport Levying Bodies Regulations | Joint Transport Committee/Tyne and Wear Sub-Committee | Consider and agree Transport budget and levy proposals.                                                                                                                                                                                                                 |
| Before 8 February 2021 (additional meeting needed)                                                                                        | Cabinet                                               | Cabinet meet to agree recommendation to the Mayor in respect of the draft Mayoral budget.                                                                                                                                                                               |
| 09 February 2021                                                                                                                          | Overview and Scrutiny Committee                       | Consideration of Authority's and Mayor's final budget proposals                                                                                                                                                                                                         |
| 23 February 2021                                                                                                                          | Cabinet                                               | Cabinet consider O&S Final Recommendations and approve the Authority's and Mayor's Budget.                                                                                                                                                                              |

**Subject: Appointments**  
**Report of: Interim Monitoring Officer**  
**Portfolio: All**

---

## Report Summary

This report asks Cabinet to confirm a number of member appointments.

## Recommendations

Cabinet is recommended to agree the appointments and portfolio allocations set out in section 1 below.

### 1. Proposals

- 1.1 In September Cabinet received a report confirming Northumberland County Council's appointment of its representatives to Cabinet. Following on from those appointments, it is proposed that Cabinet also confirms the following changes:
- a. Joint Transport Committee – Cllr Sanderson as member and Cllr Dodd as substitute;
  - b. Housing and Land Board – Cllr Renner-Thompson as the rural area representative;
  - c. North East LEP - Cllr Sanderson will be NTCA's observer at the North East LEP Board and Cllr McCarty will be NTCA's representative on the North East LEP's Skills Advisory Panel;
  - d. Transport for the North- Cllr Sanderson to be NTCA's substitute member.
- 1.2 It is also proposed that the Cabinet portfolios which were previously held by Cllrs Jackson and Cllr Daley should now be held by Cllr Sanderson (Place and Productivity) and Cllr Dodd (Education Improvement) respectively, pending any review of portfolios which Cabinet may wish to undertake in due course in light of the themes emerging from the Comprehensive Spending Review and NTCA's Recovery Proposal.

### 2. Potential Impact on Objectives

- 2.1 The appointments are in line with the Authority's Constitution and decision-making arrangements.

### 3. Key Risks

- 3.1 None.

### 4. Financial and Other Resources Implications

- 4.1 There are no direct financial implications arising from this report.

**5. Legal Implications**

5.1 The Interim Monitoring Officer is the author of this report.

**6. Equalities Implications**

6.1 There are no direct equalities implications arising from this report.

**7. Inclusive Economy Implications**

7.1 There are no direct inclusive economy implications arising from this report.

**8. Climate Change Implications**

8.1 There are no direct climate change implications arising from this report.

**9. Consultation and Engagement**

10.1 The changes reflect the appointments made by the relevant bodies.

**10. Appendices**

None

**11. Background Papers**

None

**12. Contact Officer**

John Softly, Interim Monitoring Officer  
[john.softly@northoftyne-ca.gov.uk](mailto:john.softly@northoftyne-ca.gov.uk)